FINANCIAL TIMES

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Germany warns of Greek blockade's threat to region

German foreign minister Klaus Kinkel warned *that Greece's controversial trade blockade* on the former Yugoslav republic of Macedonia could further destabilise the region as the European Union strongly increased pressure on Athens to reconsider its action. European officials are expected to discuss the issue with Greece on Monday, when EU foreign ministers meet in Brussels to discuss the Balkan crisis and issues involving possible EU enlargement. Page 2

Russian life 'just bearable': Fifty-eight per cent of Russians regard life as "tough but bearable", but 28 per cent say they live in "intolerable poverty", according to a survey. Only 1 per cent believes it is "very well off". Page 22

Tories attack party chairman: Conservative party chairman Sir Norman Fowler was attacked by pro- and anti-European Tories after distancing the party from its federalist allies in the European Parliament, the European People's party. Page 22

Three shot at Sinn Féin offices: Three *workers were shot by loyalist gunmen outside* the headquarters of Sinn Féin in west Belfast in the latest escalation of violence in the province. Meanwhile, UK prime minister John Major and Irish premier Albert Reynolds meet in London today as they continue to seek an IRA response to the Downing Street peace declaration. Reynolds to demand more north-south links, Page 5; Brussels row over Irish funds, Page 2

Allied-Lyons is selling its coffee operations, thought to be worth about £30m, to concentrate its "hot beverages" activities on its Tetley tea business. Page 8

Peston wins Investigation of Year award

Financial Times journalist Robert Peston won the Investigation of the Year award from Granada Television's What the Papers Say *for revealing that the* European Bank for Reconstruction and Development was operating with running costs of £128m a year while its budget was only £109m. *The story of* the bank's "mind-boggling extravagance", including spending £750,000 on a marble lined entrance hall, "left rival papers struggling in the FT's wake", judges said. Newspaper of the Year went to The Observer, and scoop of the year was awarded to Clare Henderson of the Grimsby Evening Telegraph who informed the world press of Norman Lamont's resignation. Award for FT photographer, Page 4

Council taxes set to fall: Council tax levels for 1994-95 will be lower than last year in several of the metropolitan authorities which are facing elections in May. Page 4

Man charged in £12m blackmail: Michael Norman, 51, of Wreningham, Norfolk, was charged with making blackmail threats for more than £12m to the supermarket chains Sainsbury, Tesco and Safeway.

Call for 102 to stand trial in Italy: Italian prosecutors recommended that 102 people, including former prime minister Bettino Craxi, should stand trial on corruption charges in connection with the building of Milan's underground railway, judicial sources said.

Big growth for cable expected: The UK cable communications industry is entering a period of potentially explosive growth and could be a multi-billion revenue business by 2000, say two City studies. Page 5

S Korea accused over N-weapons: North Korea, fighting accusations it is secretly building nuclear weapons, accused rival South Korea of stockpiling enough plutonium for 370 atomic bombs.

Dozens killed in China stampede: Dozens of people were killed in a stampede by passengers changing trains in the central Chinese city of Hengyang, officials said. China's controlled state media did not report Tuesday's accident.

Whale protection: The International Whaling Commission will next week discuss creating a whale sanctuary in Antarctica to offer permanent protection to endangered species.

■ **STOCK MARKET INDICES**

FT-SE 100:	3,382.6	(-42.7)
Yield	3.46	
FT-SE Eurotrack 100	1,485.00	(-21.65)
FT-SE-A All-Share	1,703.82	(-1.1%)
Nikkei	18,959.69	(+28.21)
New York lunchtime:		
Dow Jones Ind Ave	3,884.93	(-37.71)
S&P Composite	465.46	(-3.94)

■ **US LUNCHTIME RATES**

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	3.353%
Long Bond	$94\frac{11}{32}$
Yield	6.636%

■ **LONDON MONEY**

3-mo Interbank	$5\frac{1}{8}$%	($5\frac{1}{32}$%)
Liffe long gilt future:	Mar $115\frac{13}{32}$	(Mar $116\frac{7}{32}$)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Apr)	$13.25	($13.36)

■ **Gold**

New York Comex (Apr)	$381.3	($384.3)
London	$378.5	($386.0)

■ **STERLING**

New York lunchtime:		
$	1.485	
London:		
$	1.4788	(1.474)
DM	2.5406	(2.5559)
FFr	8.6385	(8.6738)
SFr	2.1443	(2.1543)
Y	154.239	(153.775)
£ Index	80.4	(80.6)

■ **DOLLAR**

New York lunchtime:		
DM	1.71035	
FFr	5.82625	
SFr	1.444	
Y	104.35	
London:		
DM	1.718	(1.734)
FFr	5.8415	(5.8845)
SFr	1.45	(1.4615)
Y	104.3	(104.325)
$ Index	66.2	(66.4)

Tokyo close Y 104.57

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Russia challenges the west to ensure that Moslems in Sarajevo hand over weapons

Nato renews threat of air strikes

By Judy Dempsey in London, John Lloyd in Moscow and John Ridding in Paris

Nato renewed its threat yesterday to launch air strikes if Bosnian *Serb forces fail to comply* fully with the deadline of midnight tomorrow to remove all heavy weapons overlooking the hills of Sarajevo.

The warning was made despite Russia's diplomatic success in securing an agreement by President Slobodan Milosevic of Serbia that Bosnia's Serbs would meet Nato's ultimatum.

Nato officials in Brussels said the alliance would launch air strikes if Bosnian Serb and Bosnian government forces did not withdraw all their heavy weapons to a 20km exclusion zone around the Bosnian capital, as well as respect a ceasefire. "If Russian pressure will help, we *welcome that,"* a Nato official said. "But there should be no misunderstanding; any initiative will be assessed by its results." *More than 300 Nato aircraft,* backed by aircraft carriers, are on alert in Italy and Adriatic.

Yesterday, United Nations peacekeepers in Sarajevo continued to monitor the withdrawal and collection of heavy weapons from both Bosnian Serb and Bosnian government sides. Officials said armed UN troops were ready to guard any of the weapons storage sites.

But Russia, determined to maintain the diplomatic initiative, called on the US to play a more active role.

Mr Andrei Kosyrev, Russia's foreign minister, who was in

Serbs take heart from *Russian intervention* ..... Page 2
Chance for life in the dead zone ..... Page 6

Athens for talks with the German, Greek and Belgian foreign ministers, said: "It is important that the other side, the United States and others try, encourage other parties not to try to exploit the withdrawal but to exploit the possibility for peace and also make progressive steps from their side."

In Moscow, Mr Anatoly Adamishin, the first deputy Russian foreign minister, threw down a challenge to the west. "Russia has done her part of the job – now the west must do its part," he said. "We used our strong point – our influence on the Bosnian Serbs. Now the west must use its influence on the *Bosnian* Moslems. They too must hand over their weapons within the deadline specified by the United *Nations."*

In an interview with the Financial Times, Mr Adamishin said the Moslems should not be allowed to use the Serbs' withdrawal to improve their battlefield positions.

"They have in the past tried to make gains on the battlefield which they could not make at the conference table," Mr Adamishin said. "But they have already achieved massive results through negotiation."

Mrs Dee Dee Myers, White House spokeswoman, responded yesterday by saying: "The test will be in their actions on the ground. The Nato decision has not changed."

But France said more measures were needed to lift the siege of Sarajevo.

Mr Alain Juppé, the French for*eign minister, said a withdrawal* of Serbian artillery from around Sarajevo had to be followed by other measures to bring an end to the siege of the city.

"Lifting the siege is not limited to the withdrawal of artillery. It requires freedom of movement in Sarajevo for humanitarian convoys and for people," he said, indicating that Sarajevo should be placed under UN administration.

Mr Juppé said measures to achieve these ends should be discussed next week, providing the deadline for the withdrawal of artillery is observed.

Alain Juppé: more action needed

Clarke confident on growth despite a week of poor statistics

Recovery doubts raised by weak bank lending

By Graham Bowley

Weak bank lending figures *yesterday kindled further fears* that the UK recovery is losing strength even before April's tax increases take effect.

The data – showing the lowest increase in private sector lending since November 1992 – increased discomfort for the government at the end of a week in which a spate of poor economic statistics raised doubts about the recovery's sustainability.

Lending by UK banks and building societies – M4 lending – rose a seasonally adjusted £200m last month, the lowest rise for more than a year and much less than the £3.6bn rise in December. It also fell short of economists' expectations for a £2.6bn increase.

The news failed to ruffle Mr Kenneth Clarke, the chancellor, who insisted that the recovery was on track and described the UK as "the fastest growing major economy in Europe".

He told Harrow East Conservatives that the UK was the only major European Union country where the trend in unemployment was downward.

"Our interest rates remain competitive and are among the lowest in the EU," Mr Clarke said.

"As a result, we were recently ranked top out of seven European countries as a good location for manufacturing investment.

Mr Gordon Brown, Labour's shadow chancellor, said: "No one can be surprised, as the scale of the Tory tax rises sink in, that consumers are refusing to start spending, companies are nervous about new investment and unemployment is still high."

The Bank of England figures also showed that the broad money supply measure, M4, rose a seasonally adjusted 0.2 per cent last month compared with December to stand 5.5 per cent higher than a year ago. This compares with a 5.4 per cent rise in December.

Although disappointing, analysts said that the slowdown in private sector lending after the

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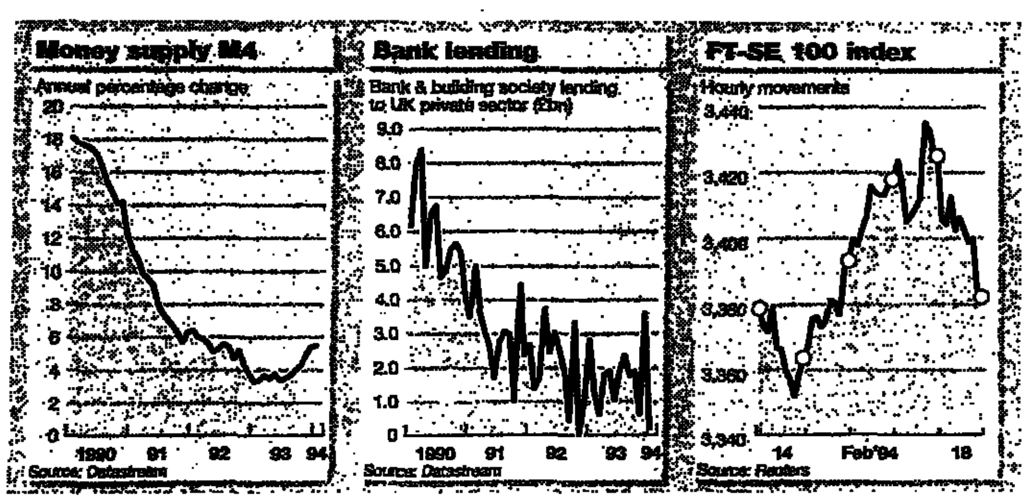

A worldwide fall-off in bond markets prompted a tumble in European equity markets yesterday.

The FT-SE 100 index, which covers the UK's most highly valued companies, fell 42.7, or 1.25 per cent, to 3,382.6. By the end of after-hours trading, UK stocks were 27 points below their Friday close, indicating more pressure on the market on Monday.

However, senior market-makers stressed that the volume of business was lower than it had been in recent weeks and there was very little panic-selling.

The German market lost most of the gains it had chalked up following a rate cut on Thursday and the French CAC 40 index ended off 29.40 at 2,251.78.

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Lloyd's may allow Names to trade syndicate shares

By Richard Lapper

Lloyd's of London is considering a radical extension of its reform *programme by giving its members* the right to trade their shares in syndicates at the insurance market.

The initiative, being studied by a team of market professionals and advisers, may also make it easier for Names – the individuals whose assets back the market – to operate with limited liability.

A 10-person team, headed by Mr Robert Hiscox, Lloyd's deputy chairman, will examine the scope for introducing a market in syndicate "participations". If introduced, Names would have the right to buy, sell or transfer their shares in syndicates which underwrite insurance business.

An outline of the team's brief was contained in a letter this week from Mr David Rowland, Lloyd's chairman, to colleagues. He said the market might allow existing Names "to realise value from their current participations".

He added: "Any market mechanism should provide for complete transparency and also provide some benefit to the society [of Lloyd's] as a whole."

The news signals that Lloyd's *is pressing ahead with far-reaching* reforms, despite the failure on Monday of its efforts to settle litigation with a £900m out-of-court offer to more than 20,000 loss-making Names.

The fresh push for reform follows the successful launch last year of 12 new investment trusts, which own "corporate Name" subsidiaries. The trusts are trading at the market with limited liability for their losses.

The trusts, along with a number of smaller corporate Names, have committed £800m to the market and account for about a sixth of the its £10.9bn capacity – its ability to accept premium income – for 1994.

Mr Rowland said the team, known as the Value Group, would also look at ways of attracting fresh capital and fulfilling commitments made last

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UK and China join ban on dumping nuclear waste at sea

By Bronwen Maddox in London and Tony Walker in Beijing

The UK and China surprised environment groups yesterday by joining an international ban on the dumping of nuclear waste at sea.

Their decision leaves Russia as the only country to continue dumping among the 72 signatories to the London Convention, a worldwide treaty on sea pollution.

Britain, China and Russia were among countries that abstained when a majority of the signatories voted for the dumping ban last November. The decision by the UK and China to join comes just *two* days before the deadline for registering opposition to the ban.

Ms Gillian Shephard, UK agriculture minister, told parliament that the UK "recognises that the weight of international opinion on this matter means that dumping is not . . . a practical proposition".

However, she added: "Scientific evidence shows that dumping at sea under controlled conditions causes no harm to the marine environment and poses no threat to human health."

The ban covers low and intermediate level radioactive waste, but the convention also gradually phases out industrial dumping and incineration at sea.

There has been little dumping in recent years. The main target of the ban is the waste likely to arise when nuclear submarines and reactors are decommissioned in coming decades.

Ms Mary Morrison of Greenpeace, the environmental pressure group, said: "The UK's action was a great surprise - but it now has a big problem dealing with this bulky waste on land."

Plans by Nirex, the UK nuclear industry's waste disposal company, to build an underground nuclear waste store, have been repeatedly delayed.

Mr Bruce Alderman of Nirex said yesterday his company's proposals remained flexible. "We have always planned to take Ministry of Defence waste. But we have not reckoned on large submarines – the MoD would have to cut them up into small pieces for them to be acceptable to us."

Mr Yang Wenhe, deputy director of the Chinese State Bureau of Oceanography, said in Beijing that China would stop dumping from this weekend. He told the official Xinhua news agency: "Disposing of wastes without licence or dumping irresponsibly at sea will be punished severely according to the law."

The ban will be reviewed in 25 years, although scientists will *continue to re-examine the safety* of dumping. The UK said it would reopen negotiations if opinion changed in favour of dumping. Britain, which has not dumped radioactive waste at sea since 1983, has already accepted a ban *on dumping until 2008 under a* separate treaty covering the north east Atlantic.

Belgium and France, which also abstained from voting on the ban in November, have accepted it in recent weeks.

Mr Manfred Nauke, the London Convention's secretary, said Russia had announced yesterday that it would not accept the ban. Russia said it needed to continue sea dumping until at least 1996.

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Austria Sch32; Bahrain Din1.250; Bermuda $1.60; Belgium BFr65; Canada C$1.40; China RMB24; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; Egypt E£5.00; Finland FmK14; France FFr9.00; Germany DM3.50; Greece Dr350; Hong Kong HK$16; [illegible] Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr65; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh15.00; Nigeria [illegible] Rs40; Philippines Peso 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rs11.00; Singapore S$4.30; Slovak Rep KS1.50; South Africa R12.00; Spain Pta225; Sri [illegible] Switzerland SFr3.50; Taiwan NT$65; Thailand Bht50; Tunisia Din1.500; Turkey L13000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

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Athens receives a stream of strong diplomatic protests over controversial blockade

EU turns screw on Greece over Macedonia

Gillian Tett in Brussels and Reuter in Athens

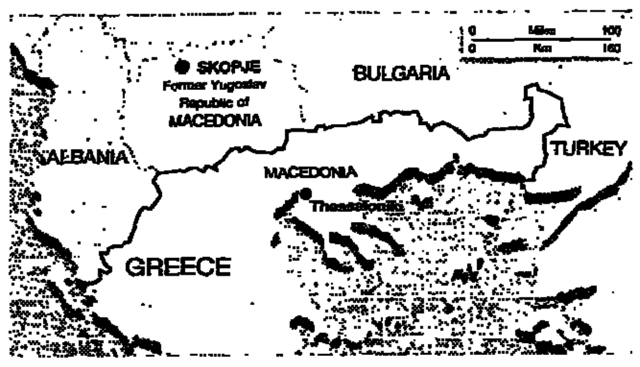
Greece's partners in the European Union yesterday strongly increased their pressure on Athens to lift its controversial trade blockade on the Former Yugoslav Republic of Macedonia.

Mr Klaus Kinkel, the German foreign minister, and Mr Willy Claes, the Belgian foreign minister, said in the Greek capital that they had asked Greece to reconsider its action. After meeting Greek President Andreas Panadreou, Mr Kinkel said that Greece's move could further destabilise the region and was "against the interest" of the EU.

Britain, along with other EU member states, delivered an official diplomatic protest to the Greek government in Athens, and, in Paris, the French government summoned the Greek ambassador to express its concern.

European officials are expected to discuss the issue with Greece on Monday, when the EU's foreign ministers meet in Brussels to discuss the Balkans crisis and issues involving possible EU enlargement.

Diplomats in Brussels are deeply irritated at the move, which has been interpreted by some as an attempt to divert attention away from Greece's unease about the threatened Nato air strikes in Bosnia, and European Commission officials said yesterday that they would be seeking further "clarification" from Greece.



However, they said that it was unlikely that Greece's partners would seek to take concerted action until the Commission's legal services had prepared a report on whether the action had contravened EU law. The Greek delegation in Brussels said yesterday that it would argue that its action was legal since it involved national security.

Despite the heavy criticism from its allies, Greece, which currently holds the rotating EU presidency, has begun stopping ships from handling goods for Skopje, the new republic's capital, at Thessaloniki and blocking trucks from crossing the border 70 kms to the north.

Mr Claes and Mr Kinkel were in Athens for a regular meeting of the EU troika, which groups the current holder of the EU presidency with the previous one (Belgium) and the next one (Germany).

"I want to say openly and clearly that the EU expects Greece to show solidarity with the attitude of the other 11 [EU member] countries," Mr Kinkel said. "I expect that Greece will withdraw this decision."

Asked if the Macedonian republic should first meet any Greek demands, he said "No".

Greece is demanding three pre-conditions before resuming UN talks to resolve the two-year-old feud. It wants the new republic to change its name, national symbols and constitution to prove it has no territorial ambitions on Greece's Macedonia province, where 2.5m Greek Macedonians live. Macedonia declared independence from Yugoslavia in 1991 and gained UN admittance last year under the temporary name of the Former Yugoslav Republic of Macedonia.

Mr Andreas Papandreou, the Greek prime minister, said on Wednesday that Greece would stop the new Balkan republic from using its main trade route, the Greek port of Thessaloniki, except for vital supplies.

Serbs take heart from Russian intervention

Smiling Milosevic meets Churkin and persuades his people Nato air strikes will be averted

By Kerin Hope in Belgrade

A television shot of President Slobodan Milosevic smiling after a meeting with Mr Vitaly Churkin, the Russian special envoy on Yugoslavia, has done more than anything else to convince Serbs that Nato air strikes will be averted.

The Serbian president broke his silence on the Nato ultimatum to send thanks to Mr Boris Yeltsin, the Russian president for "his help in handling the biggest crisis so far in the peace process and reducing the danger of escalation of hostilities."

Mr Milosevic, facing an increasingly unstable Serbia, largely because of the impact of sanctions, has tried to distance his government from the Sarajevo ultimatum, even refusing an opposition request for a parliamentary debate on the threat of air strikes.

Mr Milosevic's position was made more uncomfortable by the fact that his ally, President Franjo Tudjman of Croatia, voiced support for the air strikes.

Yesterday, however, state-controlled television for the first time carried reports from Sarajevo on withdrawals of heavy weapons by Bosnian Serb forces, in compliance with the ultimatum. The Belgrade daily *Politika* ran a headline saying: "The Serbs are withdrawing, the Russians are coming."

The independent weekly Vreme wrote: "After all these years, we now have the right to a little optimism, based on the hope that the worst will not happen."

Mr Yeltsin's letter, addressed jointly to Mr Milosevic, Mr Radovan Karadzic, the Bosnian Serb leader, and other Serbian officials, asked the Bosnian Serbs to withdraw their heavy weapons from around Sarajevo and lift the siege of the city.

The letter also asked the two Serb leaders to reinforce the security zone around Sarajevo and backed the UN plan for demilitarisation of the city. Mr Yeltsin's offer of 400 extra Russian troops to join the UN peacekeeping force in Sarajevo was seen as boosting the chances for achieving peace in the city.

The presence in Sarajevo of troops from Russia, traditionally supportive of the Serbs, would "give the Bosnian Serbs a sense of security from Moslem attack once the heavy weapons are withdrawn," one analyst said.

In Belgrade, the threat of Nato air strikes against the Bosnian Serbs served to divert attention from both a prolonged stalemate over forming a new government and worsening economic problems.

Two months of political manoeuvring after an election in which Mr Milosevic's Socialist party was denied an overall parliamentary majority, denting his image as undisputed leader of the Serbs, has failed to produce any result, although some opposition leaders now appear willing to support the Socialists.

At the same time, cracks in the Socialists' new economic programme are appearing, with a shortage of new dinars now evident. Following strike threats earlier this week by 12,000 Belgrade metal workers, the government has decided to resume subsidising production at the plant, reviving fears that a heavy bout of inflation will soon return.

Paratroopers march behind the Russian flag. Russia has offered to send troops to monitor Serb guns in Sarajevo Reuter

French output continues slow climb

By John Ridding in Paris

French manufacturing industry arrested its decline at the end of last year but the economy faces a slow recovery after recession, according to manufacturing output and industrial production statistics announced yesterday by Insee, the national statistics office.

Manufacturing output rose by 0.5 per cent in December, its second consecutive monthly increase, as a result of stronger demand for steel, construction materials and a stabilisation in consumer goods output.

A sharp fall in energy output, however, which resulted from a mild December, prompted a fall of 0.7 per in industrial production during the month.

The French Economy Ministry described the manufacturing output figures as encouraging. It said that the figures, which follow a number of other positive indicators, including increased production of intermediate goods and capital equipment, provided "evidence of consolidation in economic activity."

Private sector economists were more cautious. "There was a stabilisation in activity at the end of last year and there is some improvement in business sentiment. But there is no indication yet of a significant recovery," said one economist at a French merchant bank.

The hesitant French recovery could be bolstered, however, by a reduction in interest rates following the 0.5 percentage point cut in Germany's discount rate on Thursday. The move opens the way for the first cut in borrowing costs by the Bank of France since it gained independence last month.

Many analysts expect, however, that the French central bank will wait for a reduction in the German repo rate before bringing its intervention rate, the floor for money market rates, below its current level of 6.2 per cent.

"The strategy of the French monetary authorities seems to be to maintain a slight positive differential on money market rates with respect to Germany," said Mr Christopher Potts, economist at Banque Indosuez in Paris.

As a result, it is the German repo rate which provides a stronger guide for French interest rate policy.

German move triggers further rate cuts

By Our Foreign Staff

The Bundesbank's interest rate cut on Thursday triggered further reductions in other European rates yesterday.

Sweden and Denmark both moved to cut rates yesterday, underscoring an already promising outlook for economic growth in both countries this year.

The Danish central bank, making its 11th rate cut in six months, shaved 0.25 per cent off the rates for its key deposit, discount and 14-days certificates of deposit. The deposit and discount rates now stand at 5.50 per cent while the CDs stand at 6 per cent.

Sweden's Riksbank, meanwhile, cut its marginal rate from 7.50 per cent to 7.25 per cent. The government, facing a huge budget deficit, is relying chiefly on monetary policy to help stimulate growth expected to top 2 per cent this year after three years of recession.

Mr Erik Hoffmeyer, the Danish bank governor, said Denmark, also expecting similar growth this year, needed cuts in interest rates to sustain the recovery but would follow the general trend in Europe. "When you are participating in an integrated European economy, you cannot conduct an independent interest rate policy," he said.

The Swiss National Bank cut its Lombard rate to 6.375 per cent from 6.5 per cent, while the Bank of Spain said yesterday it cut its daily intervention rate to 8.55 per cent from 8.8 per cent, signalling a possible cut in its benchmark rate next week.

Italy, Belgium, Austria and the Netherlands cut their rates on Thursday immediately after the Bundesbank move. The Belgian cuts, effective from yesterday, take the , central rate to 6.55 per cent from 6.7 per cent and the discount rate to 5 per cent from 5.25 per cent.

Italy's central bank cut its official discount rate by half a percentage point, to 7.5 per-cent, with effect from yesterday.

Austria cut both its discount and Lombard rates by a quarter percentage point to 5 per cent and 6 per cent respectively, with effect from yesterday. The Dutch central bank cut its official rate on advances, its benchmark rate, from 5.25 to 5 per cent.

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Finland softens stance over EU farm subsidies

By David Gardner in Helsinki

Finland yesterday softened its opposition to European Union proposals on how to integrate Nordic and Alpine agriculture once Austria, Sweden, Norway and Finland join the EU.

The shift comes as the 12 and the four applicants start make-or-break ministerial talks on Monday to finish the enlargement negotiations by the end of this month.

Finland, along with Austria and Norway, opposed EU plans to cut their farm prices – 25 to 100 per cent higher than the EU norm – to fit in with the Common Agricultural Policy. Brussels advocates direct compensation to Arctic and Alpine farmers for the income lost, paid for by the applicant countries.

The Finns, Norwegians and Austrians want to apply the traditional EU system of border rebates for farm price differences, to ease the transition to EU price levels. The European Commission and the 12 reject this as reinstating the frontiers done away with by the single European market.

Mr Heikki Haavisto, Finnish foreign minister and former farmers' leader said yesterday that Finland was willing to examine the direct compensation plan if border rebates were ruled out. "If border rebates are not possible then we will have to look at it," he said, referring to the Commission plan.

Finland, like its Nordic partners, insists on a permanent regime to assist Arctic farmers. That, and how much the EU should contribute to the direct compensation payment will be at the heart of next week's negotiations.

Mr Esko Aho, the prime minister, said yesterday that the negotiations should concentrate on the big remaining issues. He confirmed Mr Haavisto's shift, saying "we are ready to discuss that but after we know what the permanent arrangements for Arctic farmers are."

Mr Aho also revealed that Finland would probably hold its referendum on membership in September, if next week's talks succeed.

Since Finland is the Nordic country most likely to vote yes, this could have a positive effect on more sceptical public opinion in Sweden – where a referendum will probably not take place before November – and even in Norway, where anti-EU sentiment is strongest. The Norwegian referendum is likely to take place much later.

Deputies shun Tatarstan treaty

By John Lloyd in Moscow

Russian deputies yesterday refused to vote on the treaty signed between the Russian government and the leadership of the autonomous republic of Tatarstan, voicinggrowing concern that the agreement cedes too much power to the republic.

Mr Genady Zyuganov, leader of the Russian Communist Party, said yesterday that deputies refused to vote because six separate agreements, including details of fiscal and other relations between the two sides, had not been published.

Mr Fyodor Shelov-Kovedayev, a former first deputy foreign minister and leading member of Russia's Choice, said that the agreement could lead to a "break-up of the federation".

In the main treaty, which has been published, the issue of the Tatarstan constitution - which describes the republic as a sovereign state and which was declared incompatible with the previous Russian constitution by the then constitutional court - has been dropped. Mr Sergei Shakhrai, minister for regions and nationalities and one of the main negotiators of the reaty, admitted that the Tatar parliament would be unlikely to amend or revoke their constitution in the near future.

The treaty is also ambiguous about who has the right to levy taxes and on what they are to be spent. Mr Shakhrai said that the original demand of Tatarstan to have a "one channel" tax system under which it would decide which if any taxes to remit to the centre had been squashed - but it is not clear with what it has been replaced.

The treaty also explicitly allows Tatars who do not wish to serve in the Russian army to opt out in return for performing some other service specified by the Tatar authorities - a large concession in a country where compulsory service is widely resented and evaded.

Row over Irish funds

By Tim Coone in Dublin

A new row has broken out between the Irish government and the European Commission over the allocation of I£7.2bn in EU structural and cohesion funds to Ireland for 1994-99.

A team of Commission officials, headed by Mr Eneko Landaburu, the director general for regional policy, arrived in Dublin yesterday for what was expected to be a stormy meeting to discuss Ireland's plans for spending the I£7.2bn under the various operational programme headings.

Mr Landaburu has publicly raised questions over Ireland's emphasis on human resource development, for which I£3.1bn is earmarked under Ireland's national development plan for 1994-99, and of which I£1.9bn is to be funded by the EU.

Mr Ruari Quinn, Ireland's minister for enterprise and employment, yesterday attacked Mr Landaburu for having publicly criticised Ireland's spending plans in advance of yesterday's meeting. Commission officials said yesterday that "nobody in the government can have been under any illusion that the plan would be simply rubber-stamped by the commission." .

Departure of senior banker will mean a further shake-up for the EBRD

Sarcinelli returns to Italy to head BNL

By David Marsh in London and Robert Graham in Rome

The appointment of Mr Mario Sarcinelli as chairman of Italy's Banca Nazionale del Lavoro will bring a further shake-up to the European Bank for Reconstruction and Development.

However, the prospective move to the BNL by this well-respected former director general of the Italian Treasury adds considerable impetus to the planned privatisation of Italy's largest state-controlled commercial bank.

Mr Sarcinelli, 59, who is No.3 at the London-based EBRD, said last night he was looking forward to heading the BNL. "I always go to places where there is a lot of challenge."

Mr Sarcinelli said he was offered the BNL job in a telephone call from a "high place" in the Italian government on Thursday morning.

Although one business associate of Mr Sarcinelli yesterday described him as "a fish out of water" at the EBRD, he said he was "not at all unhappy" at the bank.

Formerly in charge of the development banking department that was merged with EBRD's merchant banking team towards the end of last year, Mr Sarcinelli said the EBRD reorganisation "was one largely at my instigation." He added: "I am sad that I will not be reaping the results."

One EBRD executive said Mr Sarcinelli's move came as a surprise. "He was not forced out. He has landed a wonderful job. It is a good reflection on us."

Mr Sarcinelli said he would leave the EBRD after its annual meeting in St Petersburg on April 18/19. Choosing a successor was a matter for Mr Jacques de Larosière, the EBRD president. "I hope he has someone in mind," Mr Sarcinelli said.

Mr Sarcinelli's return to Italy marks a remarkable shift of fortune for a man who had previously fallen foul of the political system. Mr Sarcinelli was the most brilliant mind of his generation recruited by the Bank of Italy, and rapidly moved up the ranks during the 1970s to become deputy general general.

But he paid a very high price for daring to behave as an impartial public servant, pushing in 1978 for an inspection of the troubled Banco Ambrosiano, run by Mr Roberto Calvi.

In a politically-motivated move, Mr Sarcinelli was arrested in 1979 along with Mr Paolo Baffi, the then governor of the Bank of Italy, on trumped up charges by Rome magistrates. The charges were subsequently dropped and he was reinstated, becoming director-genral of the Treasury.

However, he felt constrained in Italy's highly politicised environment in the late 1980s, and resigned in 1989 in a row over the way the Andreotti government was permitting uncontrolled credit cover for the Soviet Union.

Although he treated his move to the EBRD three years ago as a challenge, his colleagues saw it as a form of exile.

The BNL has a tortured history. The bank has been associated with the secret masonic lodge P2 headed by Mr Licio Gelli. Mr Gelli and the P2 were found to be closely linked to the fraudulent bankruptcy of the Banco Ambrosiano.

Mr Sarcinelli's appointment is also an unequivocal signal from the government of Mr Carlo Azeglio Ciampi that it will try to push through BNL's privatisation. Until now BNL, traditionally controlled by the Socialists, has resisted any such move.

Sarcinelli: "sad not to be reaping the results" of the reorganisation of the EBRD which "was one largely at my instigation"

IG-Metall to plan strike

Germany's engineering workers yesterday cleared the decks for strike action, when all the remaining regions of the 3.2m-strong IG Metall trade union formally declared their wage negotiations to have failed, writes Quentin Peel in Bonn.

The national leadership is now expected to decide on Monday in which region to hold a strike ballot. Provided 75 per cent of the membership vote in favour, that would open the way for limited strike action in the region, from the second week of March.

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Japan's cooks struggle for right blend of foreign rice

By Emiko Terazono in Tokyo

With the first bags of foreign rice hitting Japan's supermarket shelves, worries about the best way to serve it have overshadowed concern that the Japanese way of life and its cultural values might be threatened.

Shoppers in Tokyo are being offered foreign rice for the first time because a shortage of domestic rice has prompted emergency imports.

For Japan, the question of rice imports has created political problems at home and abroad. Local farmers have protested, and the determination to keep foreign rice out, at one stage, threatened the Uruguay Round of trade liberalisation talks. In the end, typhoons and a cold summer last year *ruined the local* rice harvest and forced the government into allowing imports.

Officially, Japan has until next year before it opens the country's rice market to foreign imports.

The emergency imports – a total of 2m tonnes – are from the US, China, Australia and Thailand. Imported rice will account for over 70 per cent of the rice marketed in the next three to four months.

The government wants wholesalers and retailers to blend Japanese and foreign rice, rather than sell it on its own.

Householders have been scrambling for advice on the ideal ratio of foreign to Japanese rice and the past few weeks have seen even the serious news channels airing taste tests on sushi made with Thai long grain rice and California Rose. Will it be Californian seven to Thai three ma'am, or Japanese three to Australian two and Chinese five?

At the same time, consumers have also been confronted with reports of mouldy rice imported from California and packets of fungicides and pesticides marked with skull and cross bones, used to treat imported rice.

"The negative coverage in the newspapers and television makes me very scared," says *Mrs* Sonoko Yoshimura, a 42-year-old housewife whose family of five consumes 11 pounds of rice every month. She adds that the older generation, including her 69-year-old mother, sensitive about how her daily rice tastes, will probably not take to foreign rice.

However while farmers grind their teeth at the sight of Japanese purity mixed with imports, businesses have quickly adjusted, turning public concerns of poor quality and taste of foreign rice into a marketing opportunity. Food companies are now rushing to sell tablets which make foreign rice taste better when popped into the pot together, and special vinegars for sushi made with foreign rice.

Matsushita Electric Industrial, the leading consumer electronics company and largest maker of electric rice cookers, has also been bombarded with calls on how to cook imported blends. It is advising consumers to wash and soak foreign rice longer than normal Japanese rice and hopes to develop a rice cooker for foreign rice once it finds which rice blend best suits the Japanese palate.

But some consumers are willing to put xenophobia and prejudice aside for cheaper prices. Seiyu, a leading supermarket chain, was shocked to see 2.5 tonnes of California rice –priced at half of that of Japanese rice – disappear in a matter of hours.

"They were queueing up for it because it's just as good and half as expensive," says Mr Walter Mondale, the US ambassador, stressing that US brands are easily accepted if there are no barriers. Some leading retailers meanwhile intend to sell Japanese and foreign rice *separately, leaving the blending* up to the customers.

US ambassador takes hard line with Tokyo

By William Dawkins in Tokyo

Mr Walter Mondale, the US ambassador in Tokyo, yesterday indicated mounting frustration at the US-Japan trade impasse, but stressed that the two powers' political and security relations must not be harmed.

"We're waiting for Japan to take the initiative to open its market. We have said, and we mean it, that the status quo is unacceptable," he said.

Mr Mondale had earlier supported attempts to strike a compromise with Japan on government procurement, an important aspect of the trade dispute, but without success.

The hardening in his stance directly influences the US position, since Mr Mondale, a former US vice president, has a closer relationship with US president Bill Clinton than is usual for ambassadors.

Washington would continue to insist on numerical measures to gauge the increase in foreign goods' market share, said Mr Mondale. "I don't want to hint that we're willing to get off indicators. We have to have some way to measure progress," he said.

Despite the growing disarray of Japan's seven-party coalition, Washington would keep up the pressure. "At some point, nations have to do business with each other," said Mr Mondale.

He would not speculate whether the deadlock would be loosened by the Japanese government's latest plans to improve access for imports, expected to be unveiled shortly, but warned: "We need and must have a response that opens this market in a decent interval," he said.

The Japanese government plans to draw up market opening emergency plans, possibly in time for the meeting of finance ministers and central bank governors from the Group of Seven industrialised nations in Frankfurt next Saturday.

"The ball is in Japan's court," admitted Mr Masayoshi Takemura, chief cabinet secretary. The measures are expected to include simplified import procedures, promotions of imports and foreign investment, more open government procurement and tougher anti-trust rules.

Peru's President Alberto Fujimoro, left, hugs his new prime minister, Efrain Goldenberg, a businessman with little experience of politics

Associated Press

Machine tool chief quits after early retirement row

By William Dawkins in Tokyo

The boss of Okuma, a leading Japanese machine tool maker, and two directors, yesterday resigned after a row with the government over plans to lower the company's compulsory retirement age.

The move highlights the political and social constraints on Japanese companies' attempts to cut costs during the recession. The Labour *Ministry has warned other* employers not to follow Okuma's example.

Mr Yutaka Maeda, Okuma's president who resigned, applied last month for permission temporarily to lower the company retirement age from 60 to 56, to help reduce losses, expected to more than double to Y12bn in the year to March. The plan had the backing of Okuma's company union.

This provoked a rare warning from Mr Chikara Sakaguchi, Minister of Labour, *that the plan would be socially* harmful. He plans to submit a bill to parliament setting the retirement age at 60.

Okuma's move was controversial because it challenged Japan's social contract of a job for life in return for lifetime loyalty.

Earnings tend to rise with age, rather than merit, so people taking early retirement often make a bigger sacrifice than European or US equivalents. Okuma has promised to restore the *retirement age to 60* when its earnings improve, said a ministry official.

The Chinese go for gold

Tony Walker on why the authorities are encouraging the traditional love of the most precious of metals

When Professor Li Yining, one of China's most influential economists, advised people this week to buy gold h e was doing no more than preaching to the converted.

The World Gold Council estimates that since China lifted a ban on the sale of gold jewellery in 1984 increases in gold consumption have averaged 20 per cent a year.

Given traditional Chinese affection for gold as decoration and *as a hedge against* bad times this revived appetite for the precious metal is hardly surprising, although the strength of demand has caught the industry offguard.

Gold is so embedded in Chinese consciousness that it ranks first in *popular* mythology among five sacred elements fundamental to people's existence together with wind, fire, water and earth. Indeed, the Chinese ideograms for "metal" and "gold" are identical.

Mr Liu Shanen, director of research at China's Gold Bureau in Beijing, says simply that gold *is* money. "To many Chinese gold never loses its value, unlike paper money. It's also money one can save and pass on to one's descendants."

A "*Gold Acquisition Study*" conducted last year by the WGC in China's three main cities found that on average one in five people in Shanghai and Guangzhou bought gold jewellery in 1993, followed by one in seven in Beijing.

Average per head gold consumption among 1.17bn Chinese was $42 in 1993, or approximately 0.2 grams per head. Overall gold ownership levels, that is numbers of people buying gold, were up about 5 per cent last year against 1992.

But mainland Chinese gold consumption per head still lags far behind Hong Kong and Taiwan whose citizens purchase on average 10 grams each a year.

Such is the obsession with gold these days, that when young women get together they talk about little else but gold jewellery. "If you're a young woman without gold jewellery you'll be looked down upon," said one observer.

China's Gold Bureau reports that gold consumption – the bulk is used in jewellery manufacture – grew from 150 tonnes in 1991 to 250 tonnes in 1992, compared with annual production from China's own mines of about 100 tonnes.

Gold purchases are expected *to exceed 400 tonnes* a year within the next few years. This would make China the world's biggest consumer ahead of India and the United States.

"Greater China" – China, Taiwan and Hong Kong – is already the biggest consumer, *absorbing about about* 500 tonnes of gold, or a third of western mine production in 1992.

Prof Li's advice to Chinese to buy gold as a form of saving, and more importantly his recommendation that a gold exchange be established, is *certain to attract attention in* China where a vigorous debate is in progress about ways in which to rationalise and enliven the country's gold market.

A professor of economics at prestigious Beijing University *and prolific writer in the local* press, Prof Li is also a member of the standing committee of the National People's Congress, China's parliament.

Writing in the China Gold Daily, he noted that allowing people to own gold in the form *of coins or ingots – gold* purchases are restricted to jewellery – would be a means of channelling savings away from short-term consumer spending thus easing pressures on prices.

Other benefits of the establishment *of a gold exchange* were that it would help enliven flagging production, counter smuggling of gold abroad, generate tax revenues and contribute generally to the creation of a gold "industry" in China.

The state monopoly over gold has begun to crumble

Debate about the establishment of a gold exchange has intensified recently since China's state monopoly over gold began to crumble with mines selling produce on a booming black market energised by surging demand for gold jewellery.

State purchases of gold were down by 40 per cent in 1993 compared with 1992, in spite of a doubling from September 1 of the purchase price to Yn2,986 (U$343) a troy ounce. That price has not budged since and has remained at about 10 per cent below the world market.

With China in the grip of inflation – the cost of living increased by nearly 24 per cent in December – there would be lively demand among consumers for gold as a traditional hedge. The People's Bank seems reluctant, however, to yield its gold trading monopoly.

In the meantime, organisations like the WGC, representing the world's major mining companies, are certain to redouble their efforts to promote gold's allure in a potential market almost beyond imagination. WGC plans to *spend $3m this year on promotion.*

NEWS IN BRIEF

More action on global warming

Industrialised countries have agreed on the need to strengthen the international climate change treaty to reduce emissions of gases that warm the earth's atmosphere, writes Frances Williams in Geneva. The treaty, signed by over 160 countries in 1992 and due to come into effect next month, commits rich nations to stabilise emissions at 1990 levels by the year 2000. However, governments have now accepted that this will not be enough to prevent potentially dangerous atmospheric concentrations of greenhouse gases.

Scientists have said a 60 per cent cut in carbon dioxide emissions is needed to halt global warming.

Portuguese telecom merger

Portugal has launched plans to merge its two state-run telecommunications companies, Telecom Portugal and Teledifusora de Portugal (TDP), and absorb semi-private Radio Marconi, the Finance Ministry announced yesterday, AP writes from Lisbon. The new group will be called Portugal Telecom.

The merger anticipates the eventual privatisation of Portugal-Telecom, after November 1994.

TLP currently controls telecommunications for Lisbon and Porto, while Telecom handles long-distance, mainland and offshore traffic within Portugal and to Europe. Marconi provides intercontinental, satellite and cable services.

Spain's jobless rate hits 23.9%

Spain's jobless total rose by 630,000 last year to give an unemployment rate of 23.9 per cent at the end of December, according to the national statistics institute's labour survey for the fourth quarter of 1993, Tom Burns *writes from* Madrid.

The labour ministry said last week the number applying for unemployment benefits increased by 63,000 in January.

Belgian economy shrinks

Belgium's 1993 gross domestic product shrank by an estimated 1.3 per cent, the Belgian central bank said, Reuter reports from Brussels. In 1992 the Belgian economy grew 1.4 per cent. The central bank's new 1993 estimate is slightly better than the 1.5 per cent contraction it forecast in October. This was due mainly to hopes for a stabilisation of fourth-quarter growth.

Venezuela propping up four ailing financial institutions

By Joseph Mann in Caracas

Four Venezuelan financial institutions are receiving government aid because of liquidity problems, Mr Julio Sosa, Venezuela's minister of finance, said yesterday.

Testifying before a congressional committee on the state of Venezuela's financial system, he said that three of the troubled entities were commercial banks, while the other was another type of financial institution. He did not provide any names, nor did he rule out the possibility of government intervention in ailing financial institutions.

Venezuela's financial system is still reeling from the effects of the failure of the country's second largest bank, Banco Latino. The government took control of Banco Latino in the middle of last month. With the help of several large banks, it has provided Latino and other *troubled banks with over* $1bn.

However bankers in Caracas say privately that more than four financial institutions are in trouble and that a series of government measures announced this week are not sufficient to confront the financial system's problems.

These measures included a determination to re-float Latino, a government demand *that banks receiving official* financial assistance increase their capital bases and improve performance, and a plan to strengthen the country's bank regulatory system. Last month, the central bank reportedly had eleven financial *institutions on its "watch* list".

Disgruntled Washington backs away from Haiti's Aristide

By George Graham in Washington

The Clinton administration and President Jean-Bertrand Aristide of Haiti appear to be irredeemably at odds after the failure of another attempt to persuade him to make more concessions to the military junta that ousted him two and a half years ago.

Under pressure from the administration to show more flexibility, Mr Aristide met a delegation from the Haitian parliament in Washington, but he did not discuss a new peace plan that the US has been *strongly backing.*

This parliamentary plan calls on Mr Aristide to name a new prime minister, but unlike the Governor's Island agreement last year which was supposed to bring about the restoration of a democratic government, *it sets no date for* the ousted president to return to Haiti.

It also calls for the resignation only of General Raoul Cedras, the army commander, and not of other military leaders such as Colonel Michel François, the police chief.

The Clinton administration still formally declares its support for Mr Aristide, but scarcely disguises its wish for a leader more accommodating to the military.

"I *think* we *still* have a working relationship with Father Aristide. We believe he's the democratically elected president of Haiti, and our policy stil is to restore a democratically elected government which is headed by Father Aristide," *said Ms Dee Dee* Myers, the White House press secretary.

But the US has for months now been urging Mr Aristide to appoint a government that includes members of the military, and has been cool to his demand that the United Nations stiffen its economic sanctions against Haiti.

"The relationship between the US and Aristide has never been worse," says Mr Larry Birns, director of the Council on Hemispheric Affairs, a Washington monitoring group, who describes the US's Haitian policy as "devoid of any capacity for moral indignation or an ethical compass in favour of a president who won more than two thirds of the vote of his *own people.*

Critics note that the US has blithely continued to do business with Haiti, despite the UN embargo.

US imports from Haiti rose by more than half last year to $154m, thanks in part to an exemption granted by the *US* Treasury for imports of goods assembled in Haiti from US parts principally clothing and baseballs. US exports to Haiti also rose last year to $221m.

European diplomats in Washington are scathing in their comments on what they see as the US's abdication of leadership over Haiti.

Israeli Arabs to visit Damascus

By David Horovitz in Jerusalem

An unprecedented Syrian *decision to allow a delegation* of Israeli Arabs to visit Damascus was welcomed in Israel yesterday as a sign that relations might be about to undergo a transformation.

The 30-strong delegation, led by Mr Abdul-Wahab Daroushe, *an Israeli Knesset member,* is expected to travel to Damascus in the next few days, ostensibly to extend condolences from Israeli Arabs to President Hafez Assad on the recent death of his son Basil.

Israeli-Syrian peace talks resumed *last* week *in Washington*, but Israel has been calling on President Assad to invigorate the process by agreeing to a summit with Mr Rabin.

President Assad is seeking the return of the Golan Heights from Israel as the price of peace – a price that most Israelis are unwilling to pay, particularly in the absence of more concrete evidence of a warmer long-term Syrian attitude to Israel.

Arrangements for the visit, *suggested by Mr Daroushe,* were made by Mr Amr Moussa, Egypt's foreign minister. Earlier this week, Mr Mohammed Bassiouny, Egypt's ambassador in Israel, informed Mr Daroushe that the Syrians had given their approval.

"It is a positive *signal* which we welcome, though it has its limitations," Mr Shimon Peres, Israel's foreign minister, said yesterday. Privately, officials in the prime minister's office were more enthusiastic, one noting that this was the first *time Assad had agreed to meet* openly with Israelis.

Israeli officials drew further encouragement from a message from Damascus that Syria remained committed to preventing rocket attacks on Israeli territory from South Lebanon. However at least two were fired into northern Israel on Wednesday.

Newcastle and Birmingham to cut council tax

By John Authers

Council tax levels for 1994-95 will be lower than last year in several of the metropolitan authorities which face elections in May.

The government predicted last December that council taxes would rise by an average of 7 per cent. But this seems certain to conceal big variations caused mainly by last year's overhaul of the standard spending assessment system used for government grants.

Birmingham, which is Labour-controlled, is reducing its council tax for band D properties from £657 to £632. Newcastle, also Labour-controlled, expects to cut council tax in this band from £791.81 to £771. Other Labour authorities in the north-east also expect reductions – of about 8.5 per cent for Sunderland and 6.1 per cent for South Tyneside.

In London, Conservative-controlled Westminster, recently accused of "gerrymandering" by the district auditor, has cut band D council tax from £295 to £245, although many residents may pay more because of the phasing-out of government transitional relief.

Cuts are also predicted in the council tax precepts which will be made by three counties – Durham, Northumberland and Oxfordshire.

County council precepts make up the bulk of the council tax in non-metropolitan areas, although the tax is collected by districts, and final council tax figures can be set only once district and parish figures have been added.

Provisional figures from the Labour-controlled Association of County Councils show big variations. While Northumberland expects to cut its precept by 5.1 per cent from £491.31 to £466.68, five counties expect increases of more than 10 per cent – 10.3 per cent for Suffolk, 10.5 per cent for Nottinghamshire, 11 per cent for East Sussex, 11.5 per cent for Northamptonshire, 12.8 per cent for Cleveland and 13.9 per cent for Hampshire.

Precepts range in value from Hampshire at £420.84 for band D properties to Cleveland at £578.70.

Mr Paul Harford, leader of Labour-controlled Cleveland county council, which is due to be abolished next year as part of the review of local government, said the government was "feather-bedding taxpayers in the south of England at the expense of people in this area".

The new system of grants is the biggest factor behind the shifts, although the Labour-controlled Association of Metropolitan Authorities said that some councils had collected much more in the first year of council tax than they had budgeted for, allowing them much more flexibility in setting this year's budgets. Falling interest rates have also cut councils' planned debt repayments.

Occupants of the most expensive house in the Northamptonshire district of Wellingborough will pay a council tax of £587 in the coming financial year - less than many residents of modest terraced homes in parts of Britain with less wealthy councils, Chris Tighe writes.

In 1994-95, the Conservative-controlled borough is not only levying no council tax for its own services, but is giving discounts of up to £400 on the precept levied by Northamptonshire County Council.

Northamptonshire will levy a precept of £490.78 for Band D. On this figure, Wellingborough will offer a £200 discount, bringing the total tax paid down to £290.78.

In 1993-94 Wellingborough had the lowest council tax bills in Britain, and Mr Brian Veal, chief executive, predicts that it will keep the lowest bill in the shire districts in 1994-95.

Another rural district, Hambleton in North Yorkshire, which is sitting on reserves of £40m, is also to make a zero charge in 1994-95, and offers a discount, £32 on Band D. This means Hambleton's smartest residences will attract a maximum council tax bill in 1994-95 of £933, including the county and maximum parish precepts.

Under local government reorganisation both Wellingborough, with 81,000 population, and Hambleton, with 68,000, face amalgamation with other areas.

Lambeth rapped by own top official

By John Authers

There was "a shambles at the very heart of the organisation" of Lambeth borough council mid-way through last year, Mr Henry Gilby, the London borough's chief executive, has told councillors.

He recommends department mergers and redundancies as part of the changes needed in the borough. Only eight directorates would report to the chief executive rather than the current 13.

The changes would be part of Lambeth's attempt to answer criticisms in a report by the district auditor last year, which found that £20.2m had been spent unlawfully.

Mr Gilby says the council's central support services unit for members is "wholly unsatisfactory, confused and overmanaged" and "developed in an ad hoc way that does not directly relate to the requirements of this section".

The report is still at the draft stage and must be approved by councillors before further management action can be taken.

Bank unions fail in strike vote

Banking unions have failed to get the majority they needed to take joint strike action against compulsory redundancies at Barclays Bank.

Bifu won a 54 per cent majority for a national one-day strike on a low turnout. While Barclay's Group Staff Union, which has a much larger membership in the bank, had a similar vote in favour – 55 per cent – its rule book has a 60 per cent threshold for action.

The unions say they are seeking an early meeting with Mr Martin Taylor, Barclays' new chief executive, in an attempt to remove the threat of 505 compulsory redundancies from staff in London and the south-east.

Race award bill goes to Lords

A private member's bill seeking to remove the £11,000 limit on compensation awarded by industrial tribunals in racial discrimination cases passed through all its stages in the Commons yesterday.

The race relations (remedies) bill was introduced by Mr Keith Vaz, Labour MP for Leicester East, with cross-party support. It now goes to the House of Lords.

Frigate contract won by GEC

Mr Jonathan Aitken, minister for defence procurement, said yesterday that General Electric Company and British Aerospace had beaten VSEL and Hunting Engineering for the contract to be the UK member for the joint venture between France, Britain and Italy to design and build the "first of class" of the common new generation frigate, due for production around 1997.

Work starts on Swansea suburb

Work has started on a 470-acre suburb for Swansea with 1,800 homes and industrial, commercial and leisure developments.

The project by Swansea city council and the Welsh Development Agency, has a target of more than £200m of direct investment by 2003.

The suburb, which will take up to 15 years to complete, will be called Swansea Vale.

Pharmaceutical industry fights generics move

By Daniel Green

A dispute between pharmaceutical industry representatives and the Department of Health erupted again yesterday over whether generic drugs should be prescribed in place of more expensive branded versions.

The Department of Health has said that it wanted to restart talks with doctors aimed at allowing pharmacists to dispense generic versions.

But the Association of British Pharmaceutical Industries' says this could cut drug sales by £500m a year and drive out drug company investment.

It added: "If generic substitution was permitted by parliament this could have a very serious affect on the UK based business. Canada introduced a policy of generic substitution 30 years ago. Very quickly it went from being a net exporter of pharmaceuticals to a net importer."

The government is considering various ways of controlling its spending on the National Health Service.

The NHS drugs budget is about £3bn and last year the government imposed a 2.5 per cent price cut on pharmaceuticals sold in the UK.

The department said yesterday it had long held a policy of encouraging generic prescribing. Of the 60 per cent to 65 per cent of branded drug prescriptions that could be replaced with generic prescriptions, more than 40 per cent already were.

Other drugs are protected from generic competition by patents.

The department said it had held talks with doctors over generic substitution since 1983.

The British Medical Association said these talks had failed because the department wanted to add a box to prescription forms that doctors would have to tick if they did not want a generic drug dispensed.

The BMA said it was re-examining its opposition to "ticking out", which was one of the reasons the government wanted to restart talks.

It said there were questions over safeguards on the quality of generic drugs and warned that there was a danger that the government might use pressure on doctors, rather than advice, to prescribe generics.

Financial Times photographer Trevor Humphries has been voted Business and Industry Photographer of the Year by a jury of 34 national and regional newspaper picture editors. His award was presented at Guildhall in the City of London last night by the Lord Mayor of London, Alderman Paul Newall. Colin Beere of the FT received a special award in the Business and Industry section. Humphries' picture shows Willy White, the man who cornered the market in red telephone boxes

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Acrimony in motor industry criticised

By Kevin Done, Motor Industry Correspondent

Carmakers and components suppliers in the UK plan to establish a forum for improving relations. The move follows publication of a highly critical report sponsored by the Department of Trade and Industry and the Society of Motor Manufacturers and Traders.

The report says the "necessary levels of trust" are not present between vehicle makers and components suppliers.

"The mistrust which is in evidence is the result of many years of broken promises, abuse of confidence and general acrimony in the industry," it says.

The report was prepared by Professor Richard Lamming, professor of purchasing and supply management at Bath University School of Management. It was based on a series of discussion workshops held last year designed to improve relationships between manufacturers and suppliers, and highlights the lack of progress in reducing the traditional animosity between them.

"In developing new working agreements with their suppliers most vehicle manufacturers still appear to deal more in rhetoric than reality," the report says.

Prof Lamming said the loss of direct ownership control of most of the vehicle-making industry in the UK had made the process of improving relationships more difficult.

Commenting on the document, Mr Michael Heseltine, trade and industry secretary, urged the two sides to work more closely together to meet the challenge presented by the "globalisation" of markets.

Mr Heseltine said the report argued that a continued legacy of mistrust remained "a formidable barrier" to lean production and supply, and that there was "insufficient collaboration" on product and process development.

Relationships Between Vehicle Manufacturers and Suppliers. Department of Trade and Industry, 151 Buckingham Palace Road, London, SW1W 9SS. Free.

Civil service fast stream probed

By James Blitz

The government revealed yesterday that it is reviewing one of the cornerstones of the British civil service, the fast stream entry system that assures a glittering career for an elite of young high flyers.

For nearly 140 years the fast stream has picked out a small group of civil servants at the start of their careers and virtually ensured that they are Whitehall mandarins some 20 years later.

The system has been regularly attacked for ensuring that the civil service is run by a like-minded group of white, middle-class males educated at Oxford and Cambridge universities.

The Cabinet Office said yesterday that the review "would look at the strategic question of whether the civil service needs a fast stream system at all".

In a parliamentary written answer, Mr William Waldegrave, the public service minister, announced that a review of the system was being carried out and it would be completed by June.

The review follows calls – from inside and outside Whitehall – for changes to the top structure of the civil service to bring it into line with the management reforms of the last six years.

The creation of executive agencies to deliver central government services has led ministers to look for private-sector skills in those who run them.

A recent Whitehall report into career management also claimed that the fast stream system "could encourage the worst aspects of elitism and, without care, might perpetuate a set of skills more suitable to the past than the future".

Mr John Garrett, Labour MP for Norwich South and a former member of the Commons Treasury and civil service committee, said the announcement was the first time ministers had admitted that the system needs changing.

"A crack has appeared in the facade," he added. He claimed that civil service reforms could have a big impact on elite career management in the private sector.

Cabinet Office staff were more downbeat about the announcement. "It shows we are a good, sensible employer, and this is a regular review of whether our recruitment is up to best practice," said an official.

● The Cabinet Office is to review the future of Recruitment and Assessment Services, the civil service recruitment agency. The agency recruits civil servants and administers the fast stream system on behalf the Civil Service Commissioners.

The review, which comes three years after the agency was created, will consider privatisation and contracting-out as well as a continuation as an agency. The views of outside organisations are to be sought on the options.

Societies suffer big net outflow

By Alison Smith

Personal savers seeking better returns on their money contributed to a net outflow of retail funds from building societies for the first January ever, according to figures released yesterday by the Building Societies Association.

The association said net receipts fell by £265m last month compared with a £363m inflow in January 1992.

Mr Adrian Coles, the association's director-general, attributed part of the outflow to the launch of the pensioners guaranteed income bond during January, and warned it was likely to have an impact on the figures for February as well.

"Further pressure on building society accounts will occur in February as the second instalment on the British Telecom third share issue falls due on March 1," he added.

The figures underscore continuing difficulties for societies in attracting retail funds, at a time of low interest rates, against competition from savings products such as unit trusts.

In each of the last two quarters of 1993, societies suffered a net outflow of funds. In November not even the interest credited to accounts was enough to prevent a fall in total retail funds for only the second time in societies' history.

Some societies are not too worried about the state of the retail savings market as demand for mortgages is so slack that they do not need to raise large amounts of retail funds.

If there were a significant increase in mortgage demand while interest rates remained low then societies might have to turn more to the wholesale markets for funds. At present, wholesale funds are cheaper than retail deposits. There is, however, a regulatory limit on the proportion of wholesale funds that societies can raise, though none is close to it at the moment.

Further evidence of competition in mortgage lending came also in falls for gross mortgage lending and net new commitments.

Gross mortgage lending fell from £2.7bn in December to £2.1bn last month, while net new commitments fell to £1.8bn from £2.1bn.

Net advances – the difference between gross mortgage lending and repayments – increased however to £672m.

Call for Independent suitors to meet

By Raymond Snoddy

Mr Tony O'Reilly, chairman of Independent Newspapers of Ireland, appealed yesterday for everyone involved in the bid for The Independent to meet for talks on the newspaper group's future.

The call was made when Mr O'Reilly, who is also chief executive of HJ Heinz, the international food group, yesterday met Mr Andreas Whittam Smith, the main founder of The Independent.

"It was good that we met. I am sorry we did not meet earlier," said Mr O'Reilly, who bought 24.99 per cent of Newspaper Publishing – owners of The Independent – on the day the consortium that includes Mr Whittam Smith made an offer for the company.

"I said what I have said all along that all the parties should get together," said Mr Reilly, a former Irish rugby international over in the UK this weekend for the Ireland-England rugby game.

"I think that there is a realistic chance that the interested parties will come together to discuss. I am not sure there is a realistic chance they will agree," he added.

The consortium, which brings together Mirror Group Newspapers, the El Pais newspaper of Spain and La Repubblica of Italy and the main founders of Newspaper Publishing, already owns just under 48 per cent of the company. It is expected to make a higher offer for the company next week but it is believed that no final decision has yet been taken.

Mr O'Reilly and the Irish Independent clearly have the money to finance the loss-making Newspaper Publishing or seek a larger stake.

Lloyd's disputes suicides report

By Richard Lapper and Andrew Jack

Lloyds yesterday rejected an allegation that more than 30 Names had committed suicide or died as a result of stress-related conditions linked to their underwriting losses.

Lloyd's said: "Public records show that seven deaths in the past few years have been attributed, by others, in whole or in part to the deceased's membership of Lloyd's."

It was reacting to a statement by Mr Christopher Stockwell, chairman of the Lloyd's Names Associations Working Party. This body links the action groups of loss-making Names – whose assests have traditionally supported the insurance market.

He was speaking after the death earlier this week of Admiral Sir Richard Fitch. Sir Richard, 64, a Name since the late 1980s, was found dead in his car outside his home in Middleton-on-Sea, West Sussex. A tube was attached to the car's exhaust pipe.

His son, Richard, said his father was "very distressed" by the prospect of heavy financial losses he was facing.

Mr Roger Pascall, administrative director of the Association of Lloyd's Names, which represents about 9,000 Names, said:

"To say Names are under pressure is an understatement. Undoubtedly there are hundreds, if not thousands, of Names who are greatly distressed."

Ugly word may attract troubled Names

Richard Lapper reports on the reforms being considered by the insurance market

Followers of Lloyd's of London will become increasingly familiar with an ugly word during the next two years as the insurance market presses ahead with its strategy to modernise its capital base.

"Assignability" – the rights of the Names whose assets traditionally support the market to transfer or trade their participation on syndicates – is one of the reforms on the agenda of a new 10-strong committee, the Value Group.

The group will also examine ways that Names can be given pre-emption rights – allowing them the opportunity to increase their share on a syndicate if its management chooses to increase its capacity and underwrite more business.

Once answers to these issues have been found, a market in syndicate participations could be set up. On the basis of the supply and demand it should be possible to give value to participations.

The possibility of selling their participations in syndicates might allow Names to raise funds, allowing them to raise the extra capital needed to participate as limited-liability investors. Alternatively, Names could use the money to settle outstanding liabilities and withdraw from the market.

This latter option could help Lloyd's in its efforts to set up a new reinsurance company, NewCo, into which it aims to transfer all assets and liabilities for business underwritten before 1986.

As part of its preparatory work for NewCo, which is to be set up by the end of 1995, Lloyd's is assessing the adequacy of reserves held by all syndicates to meet these so-called "old-year" liabilities.

Some syndicates may be asked to make calls on Names to increase their reserves. It is clearly possible that some hard-pressed Names could generate funds for this purpose by the sale of their participations on other syndicates.

Meanwhile, the group, led by Mr Robert Hiscox, the market's deputy chairman, will also examine ways in which Lloyd's can more successfully manage its capacity in the future, in order to avoid the kind of rate competition that plunged it into loss in the late 1980s.

One of the ways it could do this is by "risk weighting": adjusting solvency ratios – the ratio between capital and premium income – in line with the riskiness of particular lines of business.

Among other ideas likely to come under consideration are:

● Rule changes allowing corporate Names to own a majority or possibly all the participations on a syndicate. At present any one corporate Name can account for no more than 25 per cent of a syndicate's capacity, while corporate capital in general must account for no more than 50 per cent of a syndicate's capacity.

● One-year accounting. Two years ago, Lloyd's rejected the idea of changing its present system of accounting for results three years in arrears. However, there is some pressure from corporate investors for this to change.

The introduction of two-year accounting is regarded as a strong possibility in the medium term, while some agencies may decide independently to account on an annual basis. If this were to occur the individual syndicates at Lloyd's could present their results independently – much as companies do – and Lloyd's might dispense with presenting its results on a global basis.

Each of these ideas indicates that after the successful introduction this year of corporate capital – trading on a limited liability basis – the market's management is determined to change the character of its capital base. As Mr Peter Middleton, chief executive, said recently: "Last year will seem tame to what we are preparing for 1994."

NEWS: UK

Professional staff stage protest outside London headquarters

BT freezes managerial pay

By Robert Taylor,
Labour Correspondent

British Telecommunications will in April impose a basic pay freeze on most of its 26,000 managerial staff. This follows the breakdown of negotiations with the managers' union, the Society of Telecom Executives.

An estimated 1,000 BT managerial staff protested at the decision outside the company's headquarters in London yesterday. The union has called a delegate conference for March 10 to decide how to react.

"We regret there has been no agreement," said Mr Peter Archer, BT's employee relations director. "There was no meeting of minds. This is the first time we have ever gone ahead [in imposing pay] without making a deal."

About 4,000 managers – 16 per cent of the total – are to receive no income increase this year. The best-performing 10 per cent will received consolidated pay rises averaging 3 per cent with a maximum improvement of 6 per cent.

BT estimates that 85 per cent of all managers (including the best performers) will next month receive one-off payments averaging 2.5 per cent or £800 – within a range of £300 to £1,940. But after April their pay levels will be frozen.

The total cost will add an estimated 2.5 per cent to BT's annual pay bill. Mr Archer said the two sides had earlier come close to agreeing a deal. He said that was not possible because the union had insisted that all managers receive an increase consolidated into basic rates if possible.

Last month BT decided to suspend a performance-pay scheme that started last year, on the grounds that it was paying managers too much.

"BT has shot itself in both feet," said Mr Simon Petch, the union's general secretary. "We have tried to rescue the company from its difficulties. It is true our members are well paid but they have played a big part in adding value to BT. What the company is now doing is wholly unacceptable and will result in a further worsening of morale among its managers."

The union said it wanted whichever proved to be the greater of a 2.5 per cent rise or a percentage greater than the size of March's inflation figure.

The company insists that it must bring the pay of its managerial and professional grades more into line with what it sees as market realities. BT executives argue that their managers are paid 11 per cent to 15 per cent more than others in similar jobs in comparable companies.

BT said yesterday that 85 per cent of managers in the largest grade earned an average of £24,000 a year compared with £22,000 for their counterparts elsewhere. The company said its most detailed pay comparison showed that no other part of its 160,000 workforce was as well placed as its managers.

Mr Petch said the union did not accept the findings of the survey and he questioned the basis on which they were compiled.

The company reported a £2.2bn pre-tax profit for the first nine months of last year.

Reuter

John Major talks to Steve Young of the Polkemmet pipe band yesterday during a visit to the Digital semiconductor plant at South Queensferry, where a £65m expansion project was announced

Greater clarity urged in accounts

By Andrew Jack

The new chairman of the Financial Reporting Council yesterday called for greater clarity in the presentation of company accounts.

Sir Sydney Lipworth, former chairman of the Monopolies and Mergers Commission, said at the annual awards ceremony for published accounts that they should be true, fair and also clear.

Technical interpretations of accounting standards had obscured "the wider and plainer" sense of the requirement for accounts to present a true and fair view.

He called for an end to "sharply differing practices" and said he believed there would for some time be the need for the Financial Reporting Review Panel, the accounts watchdog, to deal with cases of bad accounting.

Sir Sydney said he would continue to pay attention to the concern of industry that there was a danger of an "overload" of new requirements. The Accounting Standards Board could not please everyone in drawing up new standards but it listened objectively to the case against its proposals.

The award, which is sponsored by the Stock Exchange and the Institute of Chartered Accountants in England and Wales, was won by Coats Viyella, the textiles and clothing company, and James Cropper, the paper and board maker.

Mr Richard Sykes, chairman of the judges, said he was impressed with the information provided on the companies' operational divisions, compliance with accounting requirements and the guidelines of the Cadbury committee on corporate governance, and details on share options and directors' emoluments.

Lottery cash to go on capital projects

By Raymond Snoddy

Money raised for good causes from the National Lottery should be spent mainly on capital projects, Mr Peter Brooke, national heritage secretary, said yesterday.

Mr Brooke said this would ensure that lasting new and improved facilities would be created by lottery profits which analysts believe could reach £1bn a year.

The national heritage secretary was setting out a framework for distributing funds raised by the lottery.

Five "good causes" – the arts, charities, a millennium fund, the national heritage and sport – will receive equal amounts. The distributing organisations are the Arts Council, the Sports Council, the National Heritage Memorial Fund, the Millennium Commission and the National Lotteries Charity Board.

Mr Brooke said that with the exception of the charity board, the distributors would be asked to concentrate on capital projects to create "first-rate facilities for sport and the arts and for investing in our built and natural heritage".

The distributors will be asked to give priority to projects that have an element of "partnership funding".

All projects, Mr Brooke said, must be considered on their individual merits and all type and size of organisations should be able to apply.

Eight consortia have made bids for the licence to run the National Lottery and the winner is expected to be announced in May. Ticket sales should begin either late this year or early next.

Meanwhile, the BBC seems to be ahead in the television lottery stakes. The corporation believes that a majority – and possibly as many as six – of the bidders may have specified it as their preferred lottery broadcasting partner. Detailed broadcasting negotiations will only begin after a winner is chosen.

ITV is so concerned that this week Mr Andrew Quinn, chief executive of the ITV Association, went to the Independent Television Commission to discuss what ITV believes are restrictive rules on broadcasting the lottery.

The ITC has made it clear that ITV can broadcast a lottery programme but insists there can be "no undue prominence" for what is a commercial product.

The BBC does not appear to be so constrained and has been pitching hard for the right to carry the big draw, which could carry a top prize of up to £5m each week.

Reynolds to demand more north-south links

By Michael Cassell,
David Owen and Tim Coone

Mr Albert Reynolds, the Irish prime minister, will today tell Mr John Major that the British government must strengthen its proposals for greater cross-border co-operation in order to achieve a political settlement in Northern Ireland.

During a planned one-hour meeting in Downing Street, Mr Reynolds will indicate to his British counterpart that Dublin is likely to make clear its own ideas on the north-south relationship within a month.

This month Sir Patrick Mayhew, Northern Ireland secretary, gave Dublin a check-list of outline proposals for renewed talks aimed at a settlement and asked for the republic's response.

The meeting comes a week before Sinn Féin, the IRA's political wing, holds its annual conference near Dublin.

With signs that the Irish government remains more optimistic than London of a positive response to the peace proposals, Mr Reynolds is expected to urge Mr Major to be cautious in his efforts to step up pressure on Sinn Féin to renounce violence and take part in negotiations.

Downing Street was yesterday playing down the significance of the meeting, saying that no formal statement was expected. One official said it could be seen as "a visible demonstration of the desire of both governments to be relentless in putting pressure on Sinn Féin and the IRA to declare their hands".

Mr Reynolds is keen to give the meeting more prominence however, and has interviews planned later with the media.

There appears to be a conviction in Dublin that, while a breakthrough may not be imminent, there are nevertheless indications that an IRA ceasefire may be forthcoming.

Significantly, it is the belief at the highest levels in the Irish government that Sinn Féin and the seven-man Army Council of the IRA are willing to accept the joint declaration.

Last week Mr Reynolds responded by letter to Mr Gerry Adams, Sinn Féin president, for his request for "clarifications" of the declaration.

Officials in the republican movement say Sinn Féin views the Irish government's stance positively. The problem appears to be that lower IRA echelons are not willing to go along with the declaration and a permanent ceasefire without further assurances from the British government.

Digital expands in Scotland

By James Buxton

Digital Equipment, the US computer manufacturer which is continuing to make heavy losses, is to invest £90m at its two plants in Scotland. The investment will increase capacity in semiconductor and computer manufacturing.

The company will invest more than £65m in new equipment at its semiconductor plant at South Queensferry near Edinburgh and more than £20m on manufacturing capacity at its plant at Ayr, Strathclyde, to meet consumer demand.

The South Queensferry plant, which Mr John Major, the prime minister, visited yesterday during a tour of Scotland, is Digital's only facility making its high-powered Alpha microprocessor. The new investment will enable the plant to produce the next generation of Alpha chips.

Digital has agreed with Advanced Micro Devices, the US semiconductor maker which is a rival to Intel, to produce its microprocessors at South Queensferry. It expects output of the Am486 to reach a rate of 2m a year in the first half of next year.

The £90m investment will bring to about £300m the total that Digital has invested in Scotland in the past 18 years.

Clinton seeks harmony after Anglo-US rift

By Philip Stephens,
Political Editor

President Bill Clinton has assured Mr John Major that he wants to draw a line under the rift in Anglo-US relations caused by a row over Northern Ireland and sharp differences in their approach to the Bosnian war.

In spite of an undiplomatic attack on the US administration's Bosnia policy yesterday by Mr Malcolm Rifkind, the defence secretary, Downing Street expects Mr Major to receive a friendly reception when he visits Washington at the end of this month.

Mr Clinton plans a return trip to London in early June before the 50th-anniversary celebrations of the Normandy landings during the second world war.

British and US officials said that during recent telephone conversations Mr Clinton had sought to reassure Mr Major about the strength of what used to be called the special relationship. The officials confirmed that, contrary to denials from Downing Street, Mr Clinton had warned Mr Major of serious damage to the Nato alliance if Britain had sought to veto the threat of air strikes against the Bosnian Serbs.

But once Mr Major backed the plan Mr Clinton made it clear that he was anxious to repair the recent damage to the relationship between the White House and Downing Street. The president told Mr Major that his decision to override British objections to a visit to New York by Mr Gerry Adams, the Sinn Féin leader, should not be interpreted as a deliberate personal slight.

Mr Clinton disowned reports in some US and British newspapers that he had been totally unconcerned that the decision to give Mr Adams a visa might be interpreted as a slight against the British prime minister. Instead he blamed freelance briefings by US officials.

The stance adopted by the US president has been greeted with intense relief by prime ministerial aides. Mr Major is conscious that Britain's declining influence in Washington threatens further damage to his political authority.

There remains a possibility that differences over Bosnia could flare up again before Mr Major travels to Washington. Mr Rifkind's attack on the US over its refusal to contribute troops to the United Nations force in Bosnia was indicative of tensions that remain.

The help given by the Conservatives to the Republicans during the presidential election and investigations by the Home Office into Mr Clinton's stay in Britain in the 1960s mean also that the relationship between the two men will never be particularly warm.

But the British side is now convinced that Mr Clinton is ready to make a conscious effort to emphasise that good transatlantic relations have been restored.

Fast growth expected for cable

By Raymond Snoddy

The UK cable communications industry is entering a period of potentially explosive growth and could be a multi-billion revenue business by the year 2000, say two City studies.

Lehman Brothers, which has considerable experience of the industry in the US, believes that, at a cost of £7bn, cable for television and telecommunications services will be available to 13.5m UK homes by the next century.

Given what the investment bank describes as a "modest expectation" that about 45 per cent of people who can subscribe to cable do so, it says industry revenues should exceed £5bn a year.

Kleinwort Benson, the merchant bank that was recently appointed financial adviser to TeleWest, the largest cable operator in Britain, says cable is at last achieving dramatic growth. The improved economics of combined television and telephone network operation are mainly responsible for this.

Kleinwort says that, on conservative assumptions, by the year 2000 the television side should produce annual revenues of £1bn with telecommunications adding a further £1.6bn. It argues that the UK cable industry presents the world's first opportunity to invest in broadband networks that will act as "information super-highways". They will be able to carry a potentially vast range of entertainment, communications, multi-media and interactive services.

Lehman notes that so far the local appetite for cable investment has been minimal. The industry was now rapidly gaining credibility and its viability was increasingly demonstrable. "Those who wait for further evidence and delay investment face the prospect of an entry price that much higher," it says.

The Lehman study says that five leading cable companies are considering equity financing with the prospect of a London listings "a very real possibility". The five are TeleWest, a TCI-US West joint venture, Bell Canada, General Cable, Jones Cable and Comcast.

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A mid-Atlantic recovery

In the dark days of the 1970s, Britain was said to have the only economy in the developed world that overheated when the chancellor started the ignition. This week a welter of statistics showed that the UK economy is as far removed from that diagnosis as Rover Group is from the days when firebrand conveners could bring it to a halt at the drop of a hub cap. The message in the official data was that most of the surprises are still coming on the side of a better than expected inflation outcome. Yesterday's weak bank lending figures confirmed that consumer demand is nothing like as buoyant as some had assumed. Everything continues to point to a slow and fumbling recovery along the path earlier described by the US. The engine has yet to warm up.

In the English-speaking economies and in Japan, this is an economic cycle where financial factors are having a disproportionate influence. A build-up of debt in the personal and corporate sectors, followed by a high incidence of bad debts in the banking system, has dampened demand and reduced the effectiveness of monetary policy. A well-judged response from the US Federal Reserve, which until this month had made the recapitalisation of the banks a specific target of monetary policy, has ensured that the US banking system is now playing its part in a recovery that is robust enough to call for modest pressure on the monetary brake.

While Britain went into the downturn at much the same time as the US, membership of the European exchange rate mechanism deferred its recovery. The subsequent devaluation and reduction in short-term interest rates from 15 per cent to 5¼ per cent means that the British economic cycle, like the soul of the Tory party, is awkwardly suspended between the US and continental Europe, which is lagging the rest of the developed world. The question is whether the present stance of monetary policy is sufficiently relaxed to ensure that April's fiscal tightening will not bring the economy to a grinding halt.

Fiscal squeeze

One striking difference between the British experience and that of the US is that American exporters had the benefit of a much more substantial devaluation. Another is that US real interest rates have been close to zero throughout the early stages of the recovery. In contrast, real rates in Britain remain high by comparison, with the underlying inflation at between 2 and 3 per cent.

Moreover, the fiscal squeeze now proposed by the government is on a scale that far exceeds the modest tightening under way in the US. And since Britain is a more open economy, it is more beholden to its trading partners in Europe. Their problem has less to do with debt than overvalued exchange rates; and the resulting stagnation has proved a massive stumbling block to the kind of balanced, export-led recovery that Britain ought to have enjoyed against a background of continuing high personal sector borrowing and a return to surplus in the corporate sector.

Modest loosening

The Bundesbank's decision to signal a modest loosening of monetary policy on Thursday looks overdue. Coming after the earlier quarter-point reduction in British rates, it confirms that the US and Europe are now on divergent monetary paths. Yet despite the fact that British rates are converging with those in continental Europe it remains striking that British gross domestic product since the start of the decade has not only lagged behind the US but behind Germany and France as well. It remains way below trend by any comparative yardstick.

That suggests that the authorities are still finding it hard to adjust to the new disinflationary circumstances and that UK rates will have to come down again. And it may be that the markets are finding it equally hard to adjust. The Fed's tightening at the start of the month continues to make both bond and equity markets nervous in Europe.

To the extent that interest rate differentials have altered in favour of the US, some repatriation of US capital was always on the cards. Yet disinflationary forces in Europe remain very powerful, which makes the bond market response look slightly perverse. Equities, meantime, are enjoying the benefit of a very American-style mutual fund boom as falling rates make bank deposits less attractive. In Britain the personal sector has ceased to disinvest in equities and has also pushed unit trust sales to record levels. A less remarked phenomenon is the way Italian mutual fund inflows have soared over the past 15 months and French equity investment in SICAVs (unit trusts) has done much the same.

If interest rates have further to fall in Britain and the rest of Europe, then instinct suggests that European capital markets should no more be taking their cue from the US than the underlying economies. The change in the direction of US interest rates was bound to impart a profound shock to global capital. But the markets, hitherto effervescent, will prove difficult to read until the dust has properly settled.

Chance for life in the dead zone

US and Russian pressure could improve the prospects for a Bosnian peace deal, say Robert Mauthner and Judy Dempsey

The 11th-hour Russian diplomatic initiative in Bosnia has made it increasingly unlikely that the Nato threat to launch air strikes against the Bosnian Serbs will be carried out.

Formally, the Nato powers are sticking to their ultimatum of February 9. This stipulates that the Bosnian Serbs' gun positions around Sarajevo will be bombed if they do not withdraw their heavy weapons from a 20km (12-mile) exclusion zone around the city, or place them under United Nations control by tomorrow night.

In practice, however, the decision by the Russians on Thursday to send 400 peacekeeping troops to bolster the UN force in Sarajevo, to be followed by another 400 later, gave the Bosnian Serbs the face-saving formula and sense of security they needed to withdraw their weapons.

General Sir Michael Rose, the commander of UN forces in Bosnia, said that following the announcement of the agreement on Thursday evening between Mr Vitaly Churkin, deputy Russian foreign minister and special envoy to the Geneva peace conference, and Mr Radovan Karadzic, the Bosnian Serb leader, the pull-out of heavy weapons had become "an exodus".

Yet only a few hours before his statement, which followed less convincing reports of a trickle of weapons which had been placed under UN control, it was by no means certain that the Nato deadline would be met. The Bosnian Serbs, though they appeared to be taking the Nato ultimatum more seriously than they had treated similar threats in the past, were clearly extremely reluctant to comply with demands made solely by the western alliance.

They were comforted in their attitude by the critical stance adopted by the Russian leadership towards the Nato ultimatum. President Boris Yeltsin, harassed by his right-wing nationalist opponents and upset at not being consulted by Nato on an important issue affecting Russia's traditional Slav allies, was obliged to act to preserve his personal and his country's credibility.

In the event, the Russian initiative turned out to be something of a diplomatic coup. It fulfilled three essential objectives, satisfying both the Russian and western positions:

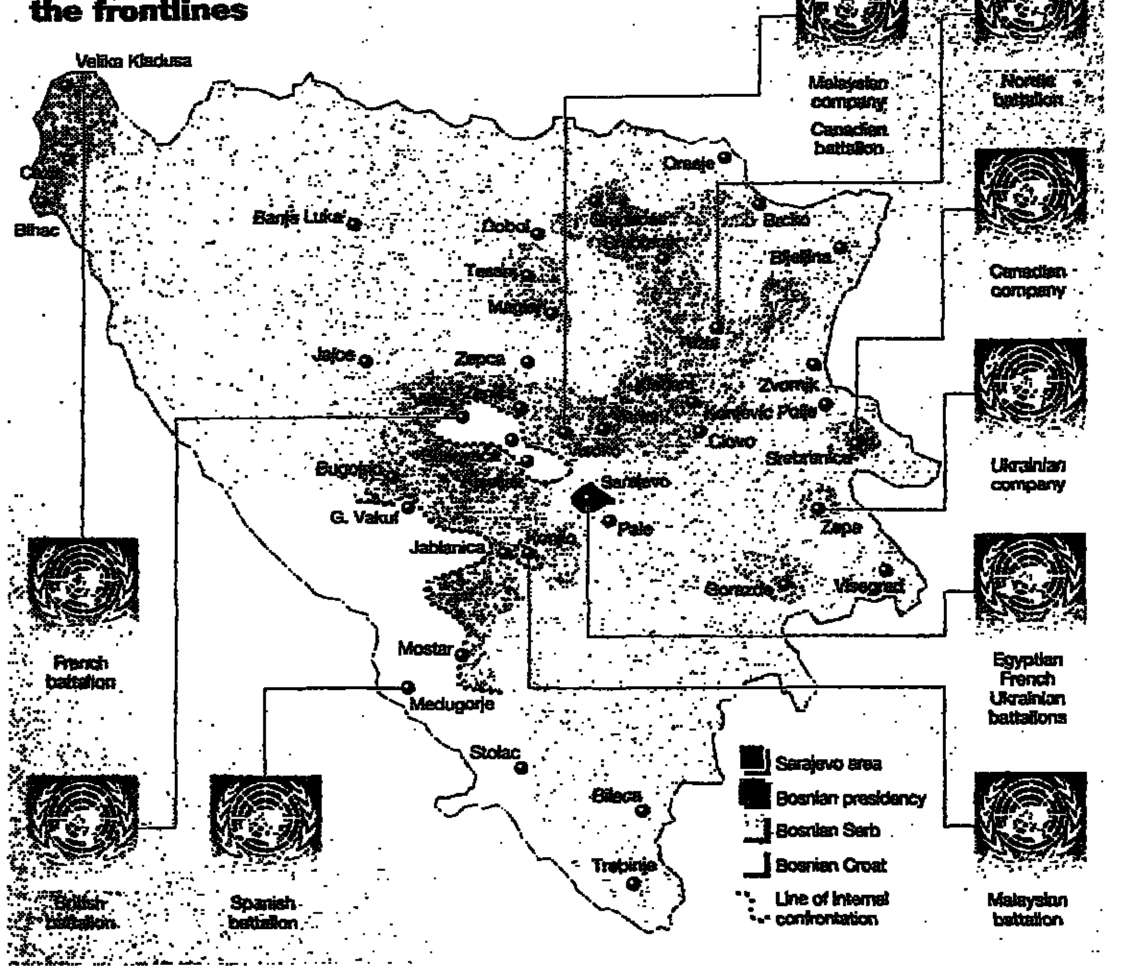
- It reinforced Nato's demands by persuading the Bosnian Serbs to withdraw their weapons, while reassuring them that the weapons would not be abandoned;
- It will give Russia a more important role in forthcoming negotiations on a Bosnian peace settlement;
- More generally, it has re-established Russia as a player to be reckoned with on the international stage, at a time when it was beginning to be ignored by the west.

It is virtually certain that these results would not have been obtained in the absence of the Nato ultimatum, itself something of an achievement in international diplomacy between the western nations.

The 22-month-old Bosnian crisis has been littered by numerous similar threats of air strikes, all unfulfilled. If the latest in the long series has appeared more credible, it was because it was made by Nato as a whole with the strong support of the US, which has been conspicuous by its absence from the Bosnian conflict, as well as having a time-limit attached to it.

Ironically, it was France and, in the last resort the UK, both opposed to air strikes when they were first proposed by Washington in May this year, which did all the pushing to get the US involved this time.

Bosnia-Hercegovina: the frontlines



In the case of France, by far the biggest contributor to the UN Protection Force in former Yugoslavia, the public outcry at the massacre in the central Sarajevo marketplace two weeks ago undoubtedly influenced the decision of a government already more inclined than others to use force in Bosnia.

The UK's position has all along been more ambiguous, with the government, handicapped by a slim parliamentary majority, opposed to any action which could lead to the loss of life of British troops and cause further splits in the governing Conservative party.

There were two main reasons why London finally changed its mind on air strikes. It did not want to be isolated within the Atlantic alliance and, above all, it wanted to avoid a rift with the US which had forged an uncustomary alliance with France on a vital foreign policy issue.

Yet the most constructive aspect of French and British policy, pursued with confrontational Gallic vigour on the part of Paris and more discreet diplomatic finesse by London, was the desire to get the US more closely involved in the Bosnian conflict.

The Bosnian Moslems, even when they were under severe pressure from the international mediators to make territorial concessions, had always put their faith in Washington not to back any plan they considered unviable.

With both the US and Russia likely to play a much more prominent part in the peace negotiations in the future, the prospects of reaching a settlement have undoubtedly improved – on the assumption, of course, that each of the two powers is prepared to put pressure on its respective Bosnian allies to make the necessary compromises.

The breakthrough is, however, only the beginning of what is bound to be a long process. The next few days will be crucial in setting out a coherent agenda, not only for bringing all sides back to the negotiating table in Geneva, but ending the fighting throughout the republic.

What happens in Sarajevo could be a test case. In addition to the withdrawal of the Bosnian Serbs' heavy weapons, UN officials said yesterday they wanted the siege of the city to be lifted. This would mean removing road blocks, allowing humanitarian aid to get through, and restoring water, electricity and communications to the city. As Gen Rose has repeatedly said, the complete demilitarisation of the city would require more troops. But western governments are reluctant to send reinforcements.

Mr James Gow of the Centre for Defence Studies at King's College, London, says the crucial factor in extending demilitarisation to the rest of the country is the attitude of the Bosnian government, which "must be persuaded that it is in its interests to settle for a peace plan".

Achieving the latter might prove tricky. The Bosnian government has already expressed reservations about Russia's presence in Sarajevo, on the grounds that Moscow is considered pro-Serb. The Moslems were seeking, above all, western military intervention at a time when the Bosnian army was building up a disciplined and well-trained infantry superior to the Serb forces. This option has been pre-empted by the arrival of Russian peacekeepers, since nobody will launch air strikes while they are monitoring Serbian positions.

"The Bosnians trust only the Americans. To secure an overall peace settlement, the US will have to move quickly. The Bosnians may have to recognise the limitations of what they have achieved." added Mr Gow.

The current peace plan on the table in Geneva involves the division of Bosnia-Hercegovina into three ethnic statelets, with a clear bias towards rewarding Serb and Croat territorial gains.

The UN forces are anxious that the peace talks should reflect developments on the ground. They have no mandate to monitor Bosnian Serb weapons outside the Sarajevo exclusion zone. "Those weapons can be moved anywhere in eastern and central Bosnia where the fighting continues unabated," a Nato diplomat said.

"The pressure now is tremendous," a UN official conceded. "All sides, knowing that we are concentrating on Sarajevo, could beat the hell out of each other in other parts of the country so as to secure territorial gains before we turn our attention beyond the capital."

The UN objectives are:

- Lifting the siege in Sarajevo;
- Lifting the sieges of Srebrenica, Zepa, Gorazde, and Tuzla in central and eastern Bosnia;
- Continuing Russian pressure on the Serbs and US pressure on the Moslems to make compromises on reaching a peace accord;
- Increasing pressure on Croatia to withdraw its troops from Mostar, the regional capital of western Hercegovina, which, unlike Sarajevo, has been almost reduced to rubble.

"I have no doubt that this will involve tens of thousands of peacekeeping troops," a former senior military adviser to the British government said yesterday. "And just because Nato threatened the use of force only in Sarajevo, there is no reason that Nato, and especially Washington, cannot apply the threat to other cities, although that will require the backing of the Russians."

Nato and UN officials yesterday said none of these aims could be achieved without persuading all the protagonists that it is in their interests to stop the fighting, including the patron states of Serbia and Croatia. "It is clear that President Slobodan Milosevic of Serbia wants international economic sanctions against his country lifted," a Nato diplomat said yesterday. "But any talk of that is too early. We have to keep the pressure on."

He added that Croatia could be brought to the negotiating table because the threat of economic sanctions remains. But the Bosnian government would only stop the fighting if the US could guarantee a permanent and more just peace settlement, he said.

The setting up of a civilian administration by the UN could be the next step for Sarajevo. "This is what we did in Cambodia," said a UN official. But such an arrangement would require large numbers of personnel. "More than that," said Mr Gow, "it is only the Americans who can tie up the whole thing." Washington has said it would provide peacekeepers under UN auspices, if and when a negotiated peace settlement is reached.

"The Russians are on board. It is time for the US to help secure this peace. This is the last chance for peace," the Nato diplomat said. "We must capitalise on the previous few days. But then, our record in failing to grasp the moment in the Bosnian crisis is truly miserable."

Mr Absent without leave

Political and economic reform are being jeopardised by the semi-detached state of Yeltsin, says John Lloyd

The Russian president appears to have played little part in the governing of the country for some weeks. This fact is causing comment in Russia and concern abroad: the more so since on him depends the setting of a strategic course for the government, the lineaments of a relationship with the parliament and a clarification of foreign policy – all areas where unanswered questions multiply anxiously.

His decision to delay until next Thursday the critical state-of-the-nation speech, scheduled for yesterday, was the most overt sign of Mr Boris Yeltsin's semi-detached state. The delay was said to be due to a bad cold: indeed, one of his press secretaries, Mr Anatoly Krasikov, went so far as to urge correspondents to look for themselves at Mr Yeltsin on television that day, to see how ill he looked.

Unfortunately for this proposition, Mr Yeltsin – appearing with Mr John Major, the UK prime minister, at a press conference – did *not* look particularly ill. He spent well over two hours talking to Mr Major, took a press conference (standing) for about half an hour, had a meeting with the president of the Republic of Tatarstan to sign a treaty and in the evening hosted a Kremlin dinner. British diplomats insist that the president was in complete charge of his brief, took the initiative, made jokes.

Thus to plead a cold as reason to cancel a vital speech three days away seems transparent as an excuse. It comes on top of a string of broken or refused gatherings with foreigners, the non-acceptance for three days last week of a telephone call from US President Bill Clinton and a profile so low that Mr Sergei Parkhomenko of Sevodnya newspaper dubbed him "Mr Absent" in a recent article.

Other vital dates are being put off: the cabinet session to discuss the budget was put back from this Thursday to the coming week; potentially more seriously, the local elections set for spring may also be delayed until summer or autumn because – according to Mr Sergei Filatov, the presidential chief of staff, in an Izvestiya interview – "people will be afraid to make the wrong choice".

What is going on? The rumours of heavy drinking, always recycled at times like these, are – say US sources – not a cause for real concern. But Mr Yeltsin is often a man in pain, the legacy of two crashes – in a car in Moscow and in an aircraft in Spain. He needs both treatment and drugs to allow him to work. How far that is a factor now is not known and will not be revealed. Information about the president has become scanty.

There is much for the president to withdraw and think about: there is a soup where an economic policy should be

The Moscow political world has discounted illness as an explanation. Mr Grigory Yavlinsky, leader of the Yabloko political grouping, a presidential challenger and according to the polls the most popular politician in Russia, believes that "he is simply invisible because he does not know what to do. There is no concept of how to go ahead in the economy or in the society. The parliament has no one with whom to relate – and its mood is not very hostile to the president, it just wants to know how to work with him."

The other proffered explanation is a more charitable one. Mr Alexander Meshchersky, deputy editor of the mass-circulation Argumenty i Fakti and close to presidential circles, said yesterday that he believed Mr Yeltsin was now in one of these periods of "withdrawal and reflection" – the kind seen after the August 1991 putsch, and again at the beginning of last year.

There is much to withdraw and think about, for Russia stands at the beginning of a period in which the choices of its president are critical to the further progress of political and economic reform.

First, there is a soup where an economic policy should be: Mr Yegor Gaidar the former first deputy prime minister, said yesterday that "there are very many contradictory features in what the government is trying to do". Mr Alexander Shokhin, now economy minister, seems to be trying to do everything at once: gathering together academicians of the late Gorbachev period to draw up plans for him; appointing such radical Gaidarites as Mr Sergei Vasiliev as his deputy minister; and confirming that he, not the academicians, are in charge of drawing up an economic reform plan.

Mr Victor Chernomyrdin, the prime minister and the second most powerful man in the country, is in the grip of an economic nightmare. In losing Mr Gaidar and Mr Boris Fyodorov, the former deputy premier for finance, he has lost men on whom he could pin the blame for the consequences of reform.

"Really," says Mr Gaidar, "the choices that must be made now are very, very difficult, the most difficult perhaps in the last two years."

Mr Chernomyrdin is wrestling with inflation already running at about 20 per cent a month, and a vast budget deficit is staring him in the face for the first quarter. Yet everyone is pounding him to give them more money. "Chernomyrdin is being pursued by three lobbies," says Mr Yavlinsky, "the military industrial, the agricultural and the energy. And they all claim to be starving."

If the prime minister is to construct a defence against their demands, he needs a direction. Only the president can supply this – though he may be unwilling to do so, since he will not wish to be seen to be dictating a pace of change which is unpopular. Manoeuvring between these two men, who met for some time yesterday, is one reason for the delay.

Second, there is a gap where a constitutional framework should be. The deputies in the new parliament have begun a programme of work and, for the moment, appear in no mood for confrontation. The ultra-nationalist party of Mr Vladimir Zhirinovsky, to whose great success in the December elections so much attention has been paid, is clearly undergoing internal convulsions as its deputies struggle to distinguish themselves from their threat-a-minute leader. The Communists and the Agrarians on the left stress constitutionality and adhesion to democratic ways. But they have no president with whom to co-operate or whom to oppose, no presidential programme to fufil or to amend.

Tatarstan may have been ceded effective powers over areas normally at least the co-responsibility of the centre

The most significant constitutional move in the new year has been the conclusion of a treaty between Russia and Tatarstan, its largest autonomous republic, right in the centre of Russia. Tatarstan had declared virtual independence with its own constitution. Now a treaty has, it is said, brought it back within the federation and stands as a model for other, difficult republics and regions.

But the deputies yesterday would have none of the treaty: "We were not able to see the six detailed agreements which went with the treaty, so how could we vote on it?" asked Mr Genady Zyuganov, leader of the Russian communists. From the vague wording of the treaty, it is possible that Tatarstan has been ceded effective powers over all taxes and other areas normally at least the co-responsibility of the centre in any federal state.

Mr Fyodor Shelov-Kovedayev, the former first deputy foreign minister, said earlier this week that the Russian ministers negotiating the treaty "looked for vaguely worded formulas in the negotiations with Tatarstan which won't fool anyone but may lead to the break-up of the federation".

Mr Yeltsin, the guarantor of the integrity of the federation, a task he has made as "sacred" as Mr Mikhail Gorbachev made the retention of the Soviet Union, signed the treaty with Mr Mintimer Shamiyev, the Tatar president, and talked of a new era in relationships. But can he mean it?

Third, there is a puzzle where foreign policy should be. "We do not have a foreign policy, we have foreign reactions," says Mr Andranik Migranyan, a presidential adviser. Russia, which scored a rare diplomatic success this week in getting agreement from the Bosnian Serbs to pull back their artillery, was only stung into action by the unilateral declaration by Nato that it would stage air strikes against the Serbs' positions unless they withdrew.

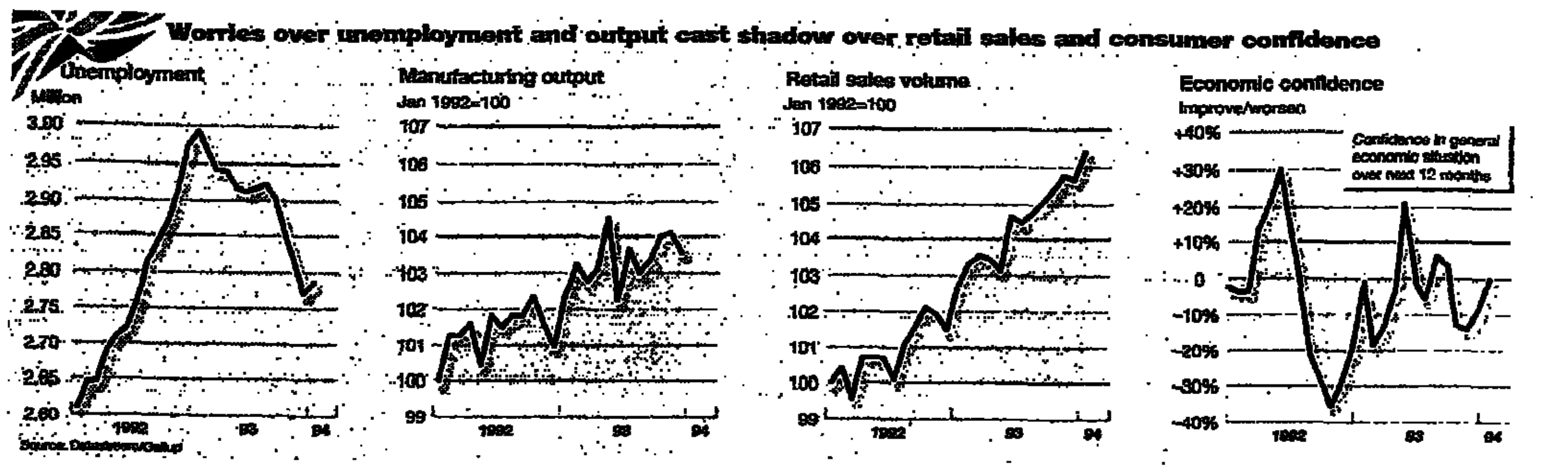
A treaty with neighbouring Belarus is approaching completion, which would merge the two countries' economies and make Belarus a province of Russia in all but name. The radicals like Mr Gaidar and Mr Fyodorov see it as a grave threat to Russia's finances. But majority political opinion welcomes it as a sign that at least one state cannot live without Russia. The Belorussians, in the main, seem to belive they have no choice.

Throughout the former Soviet republics, there is a shuffling of feet and a turning back to Moscow by leaders who in some cases had called down curses upon the "imperial centre" and now, exhausted by wars or economic collapse or both, seem again willing to have Moscow make the central decisions in their countries' lives. But in this movement there is a wide choice – between what many in the west fear is a neo-imperialist impulse (frankly espoused by Mr Zhirinovsky's Liberal Democrats) and an eastern version of the European Community. Only Mr Yeltsin can define the strategic direction of a fledgling foreign policy: and he does not seem to have done so.

Slow slow, quick quick, slow

Philip Coggan and **Emma Tucker** test the strength and durability of the UK recovery

"The main reasons for doubting the durability of the present recovery appear to be: uncertainty about the strength of world recovery, and of Britain's ability to improve its trading performance, a belief that the recent consumer boom will fade away without triggering a new cycle of increased investment and general worries about the future of wage inflation."



That view could easily sum up the current debate about the health of the UK economic recovery. In fact, the quote dates from a Financial Times economic survey of September 1983, just as the UK was embarking on its longest postwar boom.

As in 1983, the current uncertainty about whether the recovery is sustainable has been fuelled by apparently ambiguous economic indicators. After relatively buoyant figures released in January, statistics this week have shown that manufacturing output fell in December, while in January unemployment rose and bank lending was exceptionally weak. On the other hand, January house sales were up on January 1993.

Conflicting signals are the hallmark of the early stages of an upturn. In 1983, for instance, gross domestic product rose by more than 3 per cent, but monthly manufacturing output figures showed falls on five out of 12 occasions and industrial production dropped on three.

It may seem hard to believe, but the UK recovery has already lasted as long – seven quarters – as the recession which preceded it. The trouble for the government is that the growth rate has been too slow to generate a "feel-good" factor among consumers. "This is what GDP growth of 1¼-2 per cent feels like – slow, halting and patchy," says Mr David Fell, economist at Business Strategies Limited, which studies regional economies.

The picture is confirmed by Mr James Watson, chairman of NFC, the transport company whose fortunes are dependent on the general health of UK businesses. "Overall, we have seen a slow and steady improvement rather than a boom," he says. Mr Allen Yurko, chief executive of Siebe, a leading UK engineering group, adds: "We're not dismayed by the recent economic numbers and we believe the unemployment figures were a blip. There has been no downturn in our business recently."

Most economists believe that – in spite of all the gloom generated by this week's figures – the economy is still on the same, sometimes bumpy growth path. Mr Sudhir Junankar, associate director for economic analysis at the Confederation of British Industry, says: "You are seeing growth, but from a very low base."

The recovery has not been strong enough to allow manufacturing output to return to its pre-recession levels. In December 1993 it was still 5.5 per cent below the peak month of March 1990; machine tool sales were little more than half the level in 1990.

The danger now for the economy is that tax increases in April will undermine consumer spending and so delay the economy's return to health. Last year's Budget changes mean the tax paid by a married man on average earnings will rise from £118.36 to £130.88 a month.

Recent statistics on retail sales have been sending out particularly mixed signals. This partly reflects difficulties statisticians have had in making normal seasonal adjustments for Christmas and New Year shopping on December and January's figures.

However, there is some indication of weakness already, even before the April tax increases. The figures suggest that consumer spending is patchy, with large retailers doing better than small ones and some stores being forced to make hefty price cuts to attract shoppers. January's retail prices index, for example, showed prices of goods such as furniture and electrical appliances, recorded their largest monthly fall since comparable records began in 1956.

Accordingly, the views of retailers on the outlook are mixed. Mr Nigel Whittaker, chairman of the Confederation of British Industry's distributive trades panel, says: "I don't believe that the pace of recovery is diminishing. There is no panic and gloom and doom out there. Most retailers say that by and large there is a reasonably steady pace of recovery."

But Mr John Bryson, centre manager of the Metro centre in Gateshead, says: "Sales just fell off the cliff after the middle of January. People had run out of money after a good Christmas and January sales period." The real fear of retailers, he says, is that the public have not realised by how much their disposable incomes will be cut.

Mr John Clare, chief executive of electrical retailer Dixons, says: "While the longer-term indices are suggesting that recovery is there, the market for discretionary purchases, as opposed to food and other basics, is still very tough . . . The worrying thing is that, when the taxes go up in April, it will be the first time that people have felt worse off for a long time.

"As we have come out of this recession, most consumers have generally felt better off. Now the government has decided to tackle its deficit and there is a danger that this will threaten the recovery considerably."

Estimates this week from the London Business School suggested that the impact of the tax increases in the next two financial years would be relatively mild, causing economic growth to slow to 2.2 per cent next year, from 2.5 per cent in 1994. Nevertheless, such growth rates would not be sufficient to bring down unemployment substantially, say, or to absorb idle manufacturing capacity.

The likelihood of only modest growth may tempt the government into cutting base interest rates, from the current 5¼ per cent, to offset the effect of the tax increase.

The Treasury is aware, however, of the risks of being buffeted by one month's set of figures, especially after the previous month's data had been stronger than expected – and the seasonal adjustments around Christmas are so unreliable.

One of the reasons why the Bank of England and the Treasury were so heavily criticised by City analysts for cutting base rates by a quarter of a percentage point last week was that there seemed no immediate need to stimulate the economy.

For the Treasury, this week's figures are not sufficient evidence that the economic recovery is faltering. Similarly, Mr Peter Morgan, director-general of the Institute of Directors, says: "These are the figures for only the first month of 1994 and we must not fall into the trap of staging a monthly examination in which we pull up the plant to see whether the roots are growing."

But that has not stopped some economists calling for immediate action to propel the economy on to a faster growth track. Professor Wynne Godley, one of the six advisers to Mr Kenneth Clarke, the chancellor, says the government should put less emphasis on using interest rates to try to maintain some sort of currency parity with other European Union countries.

"People seem to forget that the US had a tremendous cut in interest rates a long time ago, as did the Japanese. We musn't be imprisoned by the daft notions of the French and Germans but should pursue US-type policies which have been shown to produce growth while not being inflationary," he says.

As yet there is little sign that either the Treasury or the Bank of England favours such an aggressive policy. They are happy for now with a low-growth, low-inflation economy. Observers will have to get used to monthly economic figures which point to a less than exhilarating return to growth.

Burma's detained opposition leader poses a dilemma for the junta, writes **Victor Mallet**

The lady's not for turning

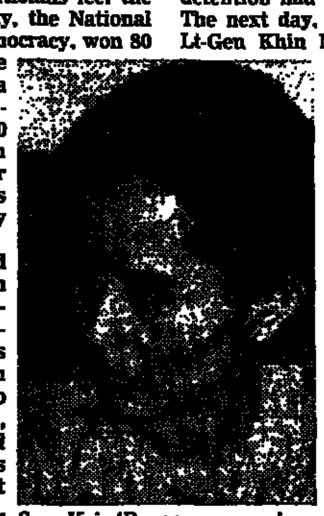
Most of her compatriots still believe in her, foreigners still admire her, and the military junta which put her under house arrest four and a half years ago still does not have a clue what to do with her.

The events of this week have confirmed that Ms Aung San Suu Kyi, the detained Burmese opposition leader, is both the only credible voice of her country's battered pro-democracy movement and the main obstacle preventing the junta from gaining international respectability.

Mr Bill Richardson, the US congressman who visited Ms Suu Kyi this week and took her a letter of unqualified support from President Bill Clinton, left in no doubt that her commitment to bring democracy to Burma had not been blunted by captivity.

"She is a woman of towering intellect and strength of conscience," he said, noting that she rose daily at 4:30am to exercise and meditate. "As an American politician I would hate to run against Aung San Suu Kyi."

Burmese politicians feel the same: her party, the National League for Democracy, won 80 per cent of the seats in a national election in 1990 even though she and other NLD leaders were already under arrest.


Suu Kyi: 'Be courageous'

The armed forces, which had killed hundreds of civilian opponents during an uprising two years earlier, were convinced their allies would win at the polls. Aghast at the NLD victory, they decided to ignore the result and continue ruling Burma through the junta, the State Law and Order Restoration Council (Slorc).

In many ways, the Slorc is more secure than at any time since it was formed in 1988. Ethnic rebel groups along the borders – such as the Karen and the Kachin – have been pressed by their former patrons in Thailand and China into negotiating ceasefires with the Slorc after decades of guerrilla warfare.

The economy, boosted by private-sector investments from Singaporean, Thai and western companies, is beginning to recover from a long period of stagnation and decline. Asian governments, particularly China and Singapore, are scornful of western concerns about human rights in Burma and sell weapons to Rangoon.

Outspoken opponents of the regime have been jailed, driven into exile or terrified into silence.

Burma's generals, however, want more: they want foreign aid from Japan and the west, and they want recognition for their ham-fisted attempts to engineer a new constitution that would allow them to run the country in a less overt way than they do today.

The continued detention of Ms Suu Kyi, winner of the 1991 Nobel Peace Prize, makes any improvement in foreign relations which could lead to infusions of western aid improbable.

If the Slorc releases her, on the other hand, it fears she would immediately become the focus of a new pro-democracy uprising. She refuses to win her release by agreeing to go into exile.

Faced with this dilemma, the Slorc has dithered. Last month Lt-Gen Khin Nyunt, the intelligence chief known as "Secretary-1" who is regarded as the most powerful member of the junta, led Japanese journalists to believe that Ms Suu Kyi might be freed in July after five years of detention.

Burmese officials promptly denied she would be released, but the junta removed the unsightly pillboxes guarding her house on University Avenue.

Then Mr Richardson was allowed this Monday to pay her a visit – the first by a foreigner apart from her English husband and children – with all the attendant publicity such a meeting entails. Ms Suu Kyi sent a message to her supporters: "Be courageous and democracy will win."

Mr Richardson also met Lt-Gen Khin Nyunt, who told him that a final decision about her detention had not been taken. The next day, Col Kyaw Win, Lt-Gen Khin Nyunt's deputy, announced that she would be held at least until next year.

Backed by the Clinton administration, Mr Richardson took up Ms Suu Kyi's suggestion that she should have talks with the Slorc as a way of trying to resolve the stand-off between the armed forces and their opponents.

Lt-Gen Khin Nyunt replied that the Slorc would consider a meeting between himself and Ms Suu Kyi as long as it was not a "political dialogue".

But it is hard to see what the Slorc could hope to gain from such an encounter. She has long expressed a desire for talks, and the meeting would therefore be seen as a victory for her as well as recognition of her standing in Burma and abroad.

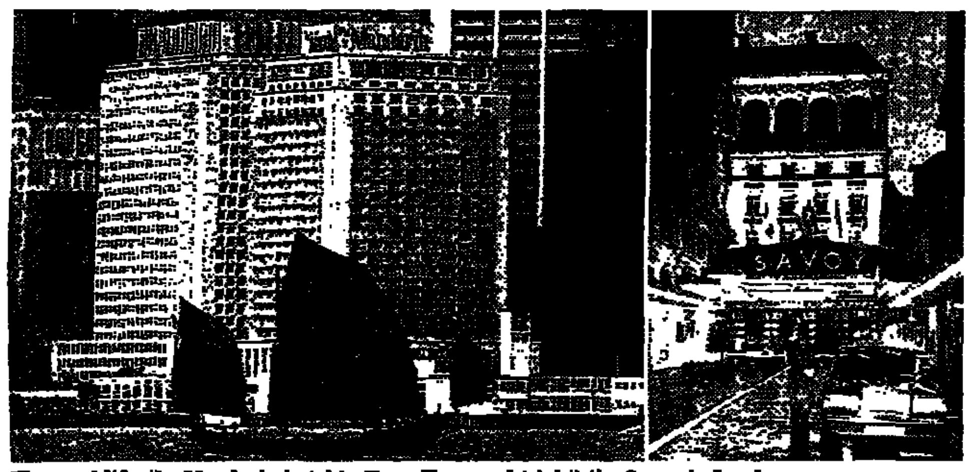
Some of her former NLD colleagues have been bullied into participating in a national convention organised by the Slorc, charged with rubber-stamping a new, pro-military constitution (one dissenter who urged delegates to stand up for democracy was jailed for 20 years).

But Ms Suu Kyi, daughter of Gen Aung San, who led Burma to the brink of independence from Britain, in public would doubtless dismiss the convention as "an absolute farce" – as she did during her meeting with Mr Richardson. That would contradict the Slorc's relentless propaganda and embarrass Asian governments such as Thailand's, which profess admiration for the junta's "democratisation" process.

Whether the Slorc decides to free her or continue detaining her without trial, and whether or not Lt-Gen Khin Nyunt decides to meet her, there is no indication that the junta is prepared to yield any power to the democratic opposition. It is equally unlikely that Ms Suu Kyi will abandon her democratic ideals.

Luxury for the not-so-old and stately

The world's elite hotels continue to attract commercial interest, writes **Michael Skapinker**


The good life: the Mandarin hotel in Hong Kong and (right) the Savoy in London

The moneyed guests who pass through the marble lobbies and ankle-deep carpets of the world's luxury hotels will have felt a tremor of apprehension at the news that the Aga Khan's sumptuously appointed Ciga group of Italy is to pass into the hands of the Sheraton chain.

How such venerable establishments as the Grand in Rome and the Danieli in Venice will fare as part of an international chain is as yet unclear. So is the question of how Sheraton can make a financial success of a deal for which it is paying L900bn (£365m) – a sum that has astonished the industry.

Forte, the UK hotels group which together with international financier Mr George Soros offered £270m for Ciga, conceded defeat when it heard how much Sheraton was prepared to pay for a company which lost L195.43bn last year.

Mr Alan Hopper, chairman of leisure consultants Pannell Kerr Forster, said: "We just cannot see the commercial logic of the Sheraton offer." Many in the industry wonder whether Sheraton, which is owned by ITT of the US, was simply seduced by the prospect of adding prestigious Ciga hotels to its portfolio. ITT says it will not talk about Ciga until the deal is finalised, which it expects to take a few weeks.

Other hoteliers have found the allure of the world's elite establishments too great to resist. Lord Forte, founder of Forte, spent much of the 1980s in a battle to buy the Savoy group, which owns properties including the Savoy, Claridge's and the Connaught in London. Forte ended up with a majority of Savoy's shares but a minority of voting shares and continues to express a desire to take full control.

It is not just the commercial logic of owning Ciga that can be questioned, however. Some industry observers wonder why anyone would want to own luxury hotels at all. With companies insisting on tighter control of travel costs, many executives are avoiding the best-known luxury properties and opting instead for more modest hotel accommodation.

A senior manager at one of London's most prestigious establishments says it does not matter what discounts or special deals he offers guests: the hotel's name is so redolent of expensive living that no cost-cutting campaign could remain credible if word got round a company that its chief executive was staying there.

While other luxury hotel groups have done better than Ciga, few have turned in strong financial performances recently. The Savoy group announced a £1.75m pre-tax loss for the first half of 1993.

Four Seasons Hotels, the Toronto-based luxury hotel operator, saw net earnings for the first three-quarters of 1993 fall to C$5.2m (£2.65m) compared with C$6.1m the previous year. The company said it planned to sell six hotels, including the Four Seasons, formerly the Inn on the Park, in London, to reduce its C$350m debt. And Mandarin Oriental, the Hong Kong-based luxury hotel company, announced a 2 per cent profits increase to $19.5m for the first half of last year, which was below expectations.

Luxury hotels cannot cut jobs or refurbishment costs without losing guests

Some of the luxury hotels' weaknesses are cyclical and attributable to the recession in North America and Europe. Mr Roger Garland, Four Seasons executive vice-president, says: "It's been a miserable market for three years. The Gulf war disrupted business travel and it didn't come back quickly."

Mr Giles Shepard, the Savoy's managing director, adds that it is more difficult to trim a luxury hotel's operating costs than those of cheaper establishments. He says: "Providing services such as valeting, beds being turned down and curtains being drawn all costs money and needs people to do it."

Luxury hotels cannot cut staffing levels or refurbishment costs without losing guests. Mr Shepard adds: "In an ideal world, when you walk into a hotel room you want to feel you are the first person to use it."

The question for luxury hotel operators is whether guests will return and rates rise as the world economy improves, or whether companies' travel cost-cutting has become permanent.

Mr Garland says there are already signs of guests returning. Four Seasons, the world's biggest luxury hotel operator, saw such an improvement in North American business last year that it increased room rates by up to 12 per cent. The group's hotels in Asia have also enjoyed an improved performance.

Mr Hopper of Pannell Kerr Forster says that, in spite of the Savoy's troubles, business is also looking up for London's luxury hotels, although continental European cities are still depressed.

He says that London's luxury hotels made £30,000 operating profit per available room last year, up 25 per cent on 1992. London luxury hotel occupancy was 67 per cent last year – 8 percentage points up on 1992. However, achieved room rates – the prices guests actually paid – fell to £178 a night from £184 in 1992.

But the crucial measure for hoteliers is the revenue divided by the total number of rooms, whether occupied or not. In London's luxury hotels, this increased last year to £120 a night from £109 the year before. Mr Hopper says the average for all London hotels was only £55.

Mr Richard Lovell, executive vice-president for northern Europe and Asia at business travel agents Wagonlit, says there will always be guests who want luxury. He adds, however, that the luxury market will be far more competitive than in the 1980s and hotels will have to provide something special to succeed.

Ms Jill Kluge, Mandarin Oriental's group communications director, says her company has introduced exclusive business floors at its hotels in Singapore, Manila and Jakarta. These have their own check-in and check-out facilities, lounges providing complimentary food throughout the day, and facsimile machines in every bedroom as a matter of course rather than on request.

In spite of the difficult conditions faced by operators in Europe, Mr Garland believes it needs additional luxury hotels – but of a different sort. Too many European hotels are old, stately and badly run, he says. "The problem is that the customers are not old and stately. They are aggressive, hard-working people who need faxes that work and their suits cleaned overnight and sandwiches at 2am."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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A gap in understanding

From Mr Chris Dillow.

Sir, Why does Samuel Brittan continue to waste his time on the fool's errand of attempting to measure the output gap ("The enigma of the output gap", February 16)? The very fact that estimates of the gap vary between 1.5 per cent and 7 per cent should be sufficient to discredit the concept.

First, the wide divergence of these estimates draws attention to the fact that we simply do not have the information – on capital scrapping, production functions or the degree of mismatch between capacity and demand – to make reliable estimates of the gap.

Second, if we do not know the size of the output gap, then we cannot test the hypothesis that it is a central determinant of inflation. In giving publicity to these wild goose chases, Mr Brittan is reinforcing the public impression that economists have nothing to contribute to an understanding of the world. Could his considerable talents in future be used to address questions where an answer is at least possible?

Chris Dillow,
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Student loans not real success

From Ms Colette Mason.

Sir, In your article "Student loan 'success' hailed" (February 17), I was quite stunned at higher education minister Mr Tim Boswell's apparent ignorance of the average student's financial position.

Grants have been frozen and entitlement to most benefits removed since the late 1980s. Students' real income has taken a remarkably heavy battering and the sluggish economy has removed a great proportion of the potential to supplement income through part-time employment. Therefore, it is hardly surprising that individuals have had to augment their income with these loans. Thus, the take-up rate indicates very little evidence of a "success".

I left university with £1,500 worth of debt and am jobless. This worries me. However, what worries me more is that higher education resources inevitably will be misallocated more and more to those who can afford to buy them rather than to those with true academic potential.

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Standard response

From Mr Nicholas Beale.

Sir, Am I alone in finding the spectacle of the chief executive officer of Motorola waving his latest gadget and complaining that it is "unfair" that the Japanese are not buying it a trifle unedifying (World Trade News, February 17)? As Lars Ramqvist, the ceo of Ericsson, showed clearly in his Innovation Lecture at the Royal Society on Tuesday, the proper approach to selling to Japan is to make systems compatible with their standards. Motorola, by contrast, applied political pressure to get Japan to adopt the US standard alongside its own system and now whinges when the Japanese prefer to buy their own standard to one forced on them.

Nicholas Beale,
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Executive share options: value should be clear at the time they are granted

From Mr Alan M Judes.

Sir, Your leader, "Lining the executive nest" (February 14), concludes that stock options and the levels of executive remuneration must be a matter for shareholders to resolve.

Reporting on the levels of gains derived by an executive from the exercise of an option does not aways help to inform shareholders as the the appropriate levels of options to grant. Shareholders need to know the value of the options at the time they were granted.

There is an obligation under company law to disclose the estimated money value of options granted to directors in the accounts of the company covering the period of grant.

If not so disclosed there is an obligation on the auditors to include in the audit report a statement of the required particulars so far as they are reasonably able to do so. I am not aware of any UK company complying with its obligations.

It is not coherent to claim that options cannot be valued when the value of traded options is reported on a daily basis and "fill the blank" option pricing calculators and computer models are available to any investor.

Perhaps if proper disclosure of the value of the option grants were made, the focus of the media, and shareholders, would be more properly on the value of emoluments rather than on gains arising at the time of exercise of the options. Other share based remuneration strategies would then be explored by companies, in order to align the interests of directors with those of shareholders.

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Reorganisation could be the death knell of local democracy in Wales

From Mr Brian Maurice.

Sir, Joe Rogaly's comments on the Tory party's attack on local government are as accurate as they are belated ("Dustbin-lids to the fore", February 15). A steady erosion of local democracy was seen between 1979 to 1994, and reorganisation legislation for Wales and Scotland, currently before parliament could well prove the death knell.

Here in Wales particularly the overt injustice of success by opposition parties in local elections time and time again being matched only by the aggrandisement of government-appointed quangos makes a mockery of democratic pretensions.

As one who has served in elected office since 1981 and who disappointingly was allowed a walk-over last year in what had been originally a Conservative seat, I can only conclude that the route to local power through elections has now been abandoned by that party in favour of patronage and sinecure with its attendant association in Wales of secrecy and disrepute.

We have been allowed no Local Government Commission by our Whitehall-imposed secretary of state and consultation and public debate over proposals for reform now in the Lords have been superficial.

Joe Rogaly comments that in England if blood still ran red it would be in mid-revolution, and such a remark applies equally to Wales.

In many cases for the first time, supporters of local democracy in Wales are beginning to wonder if the nationalist and republican homes of the Celtic world are not more appropriate than the current scenario of unaccountable bodies often manned by imported placemen lauding over ineffective unitary authorities.

Brian Maurice,
councillor,
Gwent County Council,
County Hall,
Cwmbran, Gwent NP44 2XH

Gestetner to cut gearing via £16m placing

By Simon Davies

Gestetner, the distributor of office equipment and photographic supplies, yesterday raised £16.2m net from a placing of shares aimed at reducing gearing and providing capital for potential small acquisitions.

Mr Stephen King, finance director, said the board had decided the group was under-capitalised following a £65m drop in shareholders funds last year. The cash from the placing of 9.09m new shares at 180p, a 5 per cent discount to Thursday's closing price, will reduce gearing from 66 per cent to 53 per cent.

The issue, arranged by James Capel, is underwritten by Schroders.

The shares fell 8p to 181p yesterday.

Gestetner is emerging from a troubled period. It announced a pre-tax loss of £33.2m for the year to October 1993, reflecting exceptional losses of £50m to cover restructuring.

This represented the attempts of a revamped board of directors – comprising Mr David Thompson, former Rank Xerox chairman, and three directors from Inchcape – to reduce costs and refocus on the core office equipment business.

Gestetner said at the time that a main objective for the current year was the reduction of debt, and this could fall more substantially through conversion of outstanding 6.75 per cent convertible loan stock.

In May 1993, when Inchcape, the international distribution and marketing group, took a 15 per cent stake in Gestetner from Chiltern, an Australian company, it bought an additional option to purchase its holding of convertible loan stock.

Conversion of this stock would increase Inchcape's stake to close to 25 per cent, and would reduce Gestetner's gearing to 30 per cent.

Inchcape's effective conversion price is 172p, and most brokers expect it to take up the option, which expires on July 1. Conversion can take place up to September 1999.

Mr King said operating conditions remained tough for Gestetner, although sales were in line with expectations. "We're not planning on market expansion in any areas we operate in," he said.

Brokers expect some further development of Gestetner's distribution network, but no significant investment.

St Michael sees his future in the cards

Alison Smith on Marks and Spencer's plan to extend the activities of its financial services arm

If credit card issuers had not asked so much in fees that Marks and Spencer was not inclined to accept them in their stores, then St Michael might not be on the brink of becoming the patron saint of pensions as well as of clothes and food.

Over the past 10 years, the UK's most profitable retailer has developed from issuing its own charge card, through making personal loans and unit trusts, to announcing earlier this month that next year it will enter the pensions and life assurance market.

Mr Keith Oates, now joint managing director, has been at the forefront of devising M&S's strategy for financial services throughout that time: he was the first employee of M&S Financial Services, the growth of which is reflected in its contribution last year of £24m to the group's pre-tax profits of £712.5m.

For him, a critical experience in developing the strategy came on a visit to Sears, Roebuck, the US retailing giant. Mr Oates recalls that although Sears, Roebuck had concluded – as M&S was to do – that the way forward was for a retailer to have its own card and develop its own financial services, its operations did not communicate with each other.

"There was no flow between them, they couldn't see how the whole thing could be integrated," he comments.

Sears, Roebuck has since been disentangling itself from the sector: the US group took several steps last year to scale down its involvement in financial services.

It was apparent early on, however, that M&S Financial Services was not going to make the mistake of not communicating.

What started as an operation to issue a charge card, in order to save the percentages of purchases passed on to credit card issuers, quickly became a grander design as the organisation saw the possibilities in the data it could accumulate about its customers from their use of the card.

M&S's high credit rating put it in a strong position to lend to customers at competitive rates

"We looked at it two ways," Mr Oates says. "We could save these very large costs, and if you allowed the other cards in, you hadn't got the database, it was their database."

BREAKDOWN OF RESULTS (£m)	1993	1992	1991	1990	1989	1988
Pre-tax profit:						
Retail	712.5	602.3	597.5	590.9	517.6	497.5
Fin Act	24.0	21.2	18.0	13.3	11.4	4.2
Total	736.5	*586.9	615.5	604.2	529.0	501.7
Turnover:						
Retail	5,840.9	*5,729.3	5,683.3	5,527.5	5,057.0	4,531.7
Fin Act	109.9	98.2	91.5	80.6	64.5	45.9
Total	5,950.8	*5,827.5	5,774.8	5,608.1	5,121.5	4,577.8

*Restated

Commercially, Mr Oates's enthusiasm for this information is impressive: from the point of view of a personal customer, however, it is slightly chilling to imagine the dossier on purchases and spending habits being built up in M&S's systems.

Once the M&S charge card had reached a reasonable level in the late 1980s, a move into personal loans was seen as "the logical extension", first for larger M&S purchases as the store moved into furniture, and then more generally. M&S's high credit rating put it in a "strong position" to lend to customers at competitive rates.

A unit trust management company followed in 1988, but despite the heady climate of the housing market during the 1980s, M&S decided against moving into mortgages and estate agency.

It is a decision the company is pleased now that it took. "We've gone as far as we want to in straight borrowing," is Mr Oates's view. "Mortgages would be quite unsuitable for M&S, they would bloat the balance sheet. We could sell the debt, but then we would lose most of the profit."

Nor are the concerns entirely financial: he is keenly aware of the wider disadvantages of entering an area which could end in M&S having to repossess property from some of its customers.

But entering the life and pensions market, where complex products require long-term commitment both from the organisation and the investor, carries its own risks of disadvantage.

The sector, as many practitioners will testify, is going through a period of uncertainty and change. There is a danger that a poor performance could have an adverse impact on the brand image of the M&S retailing business.

It already sounds odd, for example, despite the explanation that M&S's two unit trusts were designed to give a spread of risk-averse investment for the "building society type of customer making a first move into equities", to hear Mr Oates say of their average-ish performance that "it was never our aim to be number one".

Even so, some of the advantages that M&S will have are clear.

The company plans to offer the new life and pensions products in about six stores from early next year

Its financial advisers will be salaried and receive no commission or incentive to sell, in a move intended to intensify the confidence it is likely to inspire anyway as a read-across from its high street presence. In an industry where many consumers are, perhaps, increasingly inclined to distrust advice, that could be a powerful attraction.

Similarly, its stated intention of focusing on better surrender values and devising innovative products, suggests that it could be well-placed to give some existing providers a run for their customers' money.

The Equitable Life Assurance Society will be involved in product development and training plans, and will also provide consultancy and systems support. M&S has not yet decided the critical question of who should do its fund management, nor what the objectives should be.

But there is still the question of scale. The company plans to offer the new life and pensions products in about six stores from early next year, rising to only 50 by the end of 1995.

Mr Oates is clearly unhappy with the description of M&S Financial Services as a "niche" player in the market. But he is not interested in competing directly with the banks.

"We are first and foremost a retailer. Our financial services arm ought to be allowed to expand as it thinks fit without disturbing the plan for the whole group," he says. The limits of that expansion could be determined by the success of the new venture.

Allied-Lyons disposes of coffee activities to concentrate on tea

By Maggie Urry

Allied-Lyons is breaking with its past through the sale of its coffee operations, thought to be worth about £30m.

The Lyons coffee brand was established 90 years ago and coffee drinking has been growing relative to tea drinking. However, Allied-Lyons has decided to concentrate its "hot beverages" activities on its Tetley tea business.

The group, which includes wines and spirits, brewing and retailing as well as food manufacturing, said that Tetley had a better international spread and was the predominant part of its hot beverages operation.

It has 26.3 per cent of the UK tea market by value.

The coffee activities are being divided into two, instant and real. At present the two are located on the same site at Greenford, Middlesex, but are in separate factories.

The instant coffee business, employing about 400 people, is being sold to Kraft Jacobs Suchard, part of Philip Morris, the US food group, which already owns the Kenco and Maxwell House brands.

KJS has 24 per cent of the UK instant coffee market and the acquisition of the Lyons business, which largely makes for own-label customers, will give it a further 11 per cent.

While KJS said the deal was subject to the approval of the Office of Fair Trading, it took comfort from a 1991 Monopolies and Mergers Commission report which cleared Nestlé, which has 55 per cent of the instant coffee market, from acting against the public interest.

KJS said the deal would make it a more effective competitor to Nestlé.

It would still have the Lyons name for instant coffee.

The real coffee side is being bought by Paulig UK, part of the large Finnish food group, which already owns the Melitta coffee brand in the UK.

Paulig UK also announced the appointment of Mr Richard Hancock as managing director.

He said the deal would give Paulig UK more than 20 per cent of the real coffee market in the UK making it the market leader.

Paulig is looking at moving production from Greenford, where 100 people are employed on the real coffee side, to its own plant in Wimbledon, south-west London. Some jobs could move with the work.

Allied-Lyons merged its UK and international hot beverages activities last year, and the business has since undergone a thorough review which resulted in the decision to sell the coffee side.

Expansion plan for David Lloyd

By Tim Burt

Shares in David Lloyd Leisure rose 5p to 240p yesterday after the tennis and health club group announced a large-scale expansion plan.

The strategy follows an 84 per cent increase in pre-tax profits to £5.67m (£3.1m) in the 12 months to September 30.

The company said that the expansion could double the size of the group and would be financed from the proceeds of last year's £13.3m flotation.

Mr David Lloyd, chairman, said the group was involved in negotiations to develop a number of new clubs around the country.

He told the group's annual meeting yesterday: "Premature disclosure of these sites would unnecessarily place the company in an exposed position in relation to local competitors."

He confirmed, however, that it was hoping to build clubs in Birmingham and Bristol. The company already operates six clubs in London and the home counties, one in Glasgow and one in Eastbourne.

"Meanwhile, I am pleased to report that current trading is particularly encouraging," Mr Lloyd added.

The shares have climbed steadily since flotation last year when the company came to the market at 150p.

Atkins' shares decline 11% following profits warning

By Peggy Hollinger

Shares in Atkins Group fell 11 per cent to 139p yesterday as the hosiery manufacturer warned that net profits would be substantially lower this year because of a sharp slowdown in trading during the final quarter.

Mr Andrew Freeman, chief executive, said Atkins had been enjoying "a rip-roaring nine months" and had increased operating costs to meet the increased demand.

However, sales had slowed dramatically since the new year holiday.

Although turnover was still ahead of last year, it was substantially below the 15 per cent increase experienced in the first half.

Mr Freeman said the slowdown had been due to weakening consumer demand and retailer confidence.

Profits would also be hit by difficulties in the garments business. The withdrawal from fabric dyeing, announced last year, had caused disruption and loss of profitability in this division.

Mr Freeman stressed that the difficulties were "not terminal. We are still enthusiastic and encouraged about our prospects."

During the year Atkins had increased its share of the depressed hosiery market, he said, and now claimed a 7.5 per cent share in the UK. About 60 per cent of Atkins' sales are in hosiery.

In 1993 the group made pre-tax profits of £448,000 for the year to April 3, against a loss of £227,000 in 1992.

Gearing at the year end was expected to rise from an exceptionally low 17 per cent to 40 per cent. Last year the group benefited from asset disposals and low stock levels.

No probe into bid for Anglia

By Raymond Snoddy

Mr Michael Heseltine, trade and industry secretary, has cleared the £292m bid for Anglia Television by MAI, the television and financial services group.

Mr Heseltine said yesterday that the bid would not be referred to the Monopolies and Mergers Commission following undertakings given by MAI.

The undertakings are the same as those obtained in Carlton Communications' acquisition of Central Independent Television and Granada's hostile bid for London Weekend Television.

Under the terms of the undertakings MAI must reduce its involvement in television advertising sales to below 25 per cent of the total television market.

This could mean disposing of stakes in sales houses or terminating sales contracts.

The 25 per cent barrier can be marginally exceeded to allow enlarged companies like MAI to sell advertising for smaller ITV companies which might be disadvantaged because of lack of clout in the advertising market.

The Independent Television Commission is now reviewing its position on how large a slice of advertising revenue a single ITV company can control.

HSBC selling Italian holding

By John Gapper, Banking Editor

HSBC Holdings is selling its 56.6 per cent stake in Euromobiliare, the Italian investment bank, to Credito Emiliano.

HSBC said it had agreed in principle to sell the stake, which it acquired through the takeover of Midland Bank in 1992, for about L56bn (£22.6m). It added that negotiations were continuing, and no date for a transfer had been set.

Euromobiliare did not fit with its broader investment banking business, HSBC said. Euromobiliare has capital markets and treasury operations, as well as asset management, but is concentrated in domestic Italian business.

Euromobiliare shares slipped from a trading level of L2,965 after HSBC disclosed that it had agreed with Credito Emiliano a price of L2,800 per ordinary share, and L1,830 per non-convertible preference share.

Southern Radio sells 22% stake in Orchard Media

Southern Radio, which provides independent local radio services in Hampshire, Sussex and Kent, has sold its 21.96 per cent stake in Orchard Media, the commercial radio operator in Taunton and Yeovil, to Radio Investments for £282,000.

The shares rose 9p to 111p.

Mr Rory McLeod, Southern's managing director, said the sale was part of the group's strategy of focusing on its core business in the south-east of England and investing in radio companies where the group could add value.

"The sale has provided further cash to boost the group's reserves, already well ahead of budget following a first quarter of record revenues for the company. New, exciting opportunities are emerging and Southern Radio is well placed to take up those opportunities as they arise."

In December, Southern reported a 24 per cent increase in pre-tax profits to £956,000 (£774,000) for the year to September 30 on turnover 13 per cent ahead to £8.61m (£7.64m).

Those results were the first full year for the group following the merger with Invicta Radio in December 1991.

Hanson cuts Wassall stake to less than 3%

Hanson has sold a further 2.75m shares in Wassall, the conglomerate run by former Hanson executives, reducing its stake to less than 3 per cent, writes Maggie Urry.

Hanson took a stake in 1988 when two of its executives moved into what was then a tiny company.

In the 1992 accounts Hanson was shown as holding 13.6m shares, 8.9 per cent of the total. In March last year it sold 6.18m shares for £14.5m. With Wassall shares at 284p, down 3p yesterday, the shares sold would have been worth £7.8m.

Bullers to raise £2.6m for purchase

By Nigel Clark

Bullers, the giftware, fine art and decorative products group, is raising £2.56m net through a placing and open offer to fund an acquisition. At the same time it is undergoing a capital reorganisation and debt conversion.

It is buying Clashfleet, a media services company, for a maximum £2.8m, to be satisfied in cash and shares. The purchase will form the core of a new media division.

Most of Clashfleet is made up of a company operating as Wiseman, which in the year to May 31 1993 incurred losses of £690,000 on turnover of £3.3m. It then had negative net worth of £500,000.

Under the capital reorganisation the 1p shares are being split into 0.01p ordinary and 0.99p deferred. The ordinary shares are to be consolidated into 10p shares. The 4.2 per cent cumulative preference shares of £1 are being consolidated into £6 shares and split into 13 new ordinary and 470 deferred of 1p.

It is the company's intention to cancel the deferred shares and the share premium account leaving the deficit on the profit and loss account at £1.4m.

Under the placing and open offer 26m new shares are being issued at 11p, of which 6.51m will be available to shareholders at a rate of 32 new ordinary for one new ordinary.

Part of the cash raised will be used to buy out the leases on equipment operated by Wiseman. The rest of the purchase, involving an initial payment of £900,000 and a profit related payment to a maximum of £1.1m, will be satisfied by new ordinary shares.

As part of the acquisition Clashfleet is paying Bullers £703,000 in preference shares for equipment.

Marmara Bank, which has advanced £1.75m, is converting £398,000 into preference shares and £989,000 into new ordinary shares. Marmara and Auric, an associate, will have a holding of 20.5 per cent. The companies are appointing three directors to Bullers.

Barclays, which is owed £1.1m, is converting £600,000 into a medium term loan.

Bullers has recently been experiencing considerable difficulty. In the year to June 30 it reported a pre-tax loss of £1.4m on turnover of £2.4m with a deficit on net assets of £1.28m.

It is monitoring existing businesses with the intention of disposing of those which cannot be returned to profit. Caverswall, which has incurred significant losses, is being sold for a nominal sum and Michael Sutty, which is not operating satisfactorily, is being considered for disposal or closure.

NEWS DIGEST

BBA in $11m US expansion

BBA, the engineering group, is to construct an $11m (£7.5m) national aircraft maintenance and service complex at Bradley International Airport in Hartford, Connecticut.

The new facility comes under the aegis of Signature Flight Support, BBA's aviation services subsidiary.

Signature is to be supported in the project by United Technologies of the US.

United Technologies includes Pratt & Whitney and Sikorsky Helicopters among its interests.

TDG sells Canvey Island tank facility

Transport Development Group, the distribution, storage, transport and hire company, has sold its London and Coastal Oil Wharves offshoot to Oikos.

L&C operates tank storage facilities for heavy fuel oils at Canvey Island, Essex.

Proceeds amount to £2m. Any further proceeds will depend on the outcome of a rating appeal.

River & Mercantile net assets boost

The split-capital River & Mercantile Trust saw its net asset value advance 67 per cent – from 150.39p to 251.82p per capital share – over the 12 months to December 31.

Available revenue improved from £7.98m to £8.18m, equivalent to earnings of 10.17p (10.05p) per income share. The final dividend is again 2.45p, maintaining the total for the year at 9.2p; directors expect to announce the same distribution for the current year.

Amicable Smaller asset value rises

Net asset value per share of Amicable Smaller Enterprises Trust rose from 96.66p to 142.86p over the year to December 31.

Net revenue fell from £798,000 to £722,000 for earnings of 3.46p (3.83p) per share. Fully diluted earnings were 3.21p. The proposed final dividend is held at 1.7p for an unchanged total of 3.4p.

Summit reorganises share structure

Summit Group has completed a share capital reorganisation and made a £4m rights issue, which was oversubscribed.

Summit is an unlisted company involved in sales aid leasing and the arrangement of finance to such areas as the medical and high technology sectors. Its principal shareholders comprise a number of big financial institutions including GEC, Standard Life and Scottish Amicable.

Under the reorganisation, all of the group's preference and convertible preference shares have been converted into ordinary share capital and net assets have increased to over £40m.

Improved net asset value for Pantheon

Pantheon International Participations had a basic net asset value per share of 215.8p at December 31 1993, compared with 190.4p a year earlier and 211.1p at the June 30 year-end. Fully diluted, the figures were 215.8p, 177.7p and 195.5p respectively.

Available revenue for the six months to December amounted to £87,000 (£57,000 losses) for earnings per share of 0.51p (0.39p losses).

Anglo & Overseas lifts net assets 34%

Anglo & Overseas Trust, managed by Morgan Grenfell, had a net asset value of 506.6p per share at December 31, a rise of some 34 per cent on the comparable 1992 figure of 379.6p.

After the preference dividend, available revenue for the 1993 year amounted to £8.92m (£8.89m) for earnings of 7.81p (7.78p) per share.

A recommended final dividend of 5.4p brings the total for the year to 7.15p (6.85p).

Asphaltic buys 50% of Dominion

Asphaltic, the roofing materials distributor, has bought a 50 per cent stake in Dominion Alliance Holdings for an undisclosed amount.

Dominion, based in St Ives, Cambridgeshire, is a maker and supplier of metal fabrications, fire protection and roofing products. In 1993 it had turnover of more than £16m.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities hit by big international bonds sell-off

By Steve Thompson

The UK equity market took fright at the latest retreat by the all-important US bond market, which impacted across international markets, and retreated to close sharply lower on the session.

At the close yesterday, the FT-SE 100 index was 42.7 lower at 3,382.6 and the FT-SE Mid 250 index was 28.8 down at 4,025.5. Over the week the 100 index rose 3.7 while the Mid 250 index fell 4.5.

There was a general feeling of deep unease across the markets with UK gilts on the slide again and down over £1¼ at the long end. US bonds were down a full point during London market hours and German bunds down over ¾ of a point. Wall Street fell sharply also, retreating almost 40 points before embarking on a rally.

The market's malaise came directly from the performance of US bonds and Wall Street shares overnight when bonds were sold off heavily just before the close following a warning that US inflation could be about to accelerate.

The warning came from the Philadelphia Federal Reserve business outlook for February which said regional prices were moving up. The report fuelled strong speculation that inflation pressures could be building in the US.

Adding to the market's discomfort was a persistent rumour that one of the biggest US investment banks had been badly hit by the recent retreat in US bonds and was having to unload bonds and stocks across international markets.

There were suggestions two weeks ago that Goldman Sachs had been badly wrong-footed by the markets and suffered exceptionally heavy losses. The investment bank denied the rumours.

The equity market was under strong pressure from the outset, with the FT-SE opening down 19.7 points. A mild attempt at a rally followed the January money supply figures which prompted hopes of further cuts in UK interest rates, but it quickly petered out.

Led down by the FT-SE future which traded at a substantial discount to the cash market all day, the 100 index fell away to a session low of 3,382.2 shortly before the close.

Senior marketmakers, although disturbed by the size of the fall in share prices, emphasised the orderliness of the retreat. "There was sizeable selling and some aggressive marking down by marketmakers, but it never ever resembled a panic," said the head of sales at one broking firm. Asked whether the London market would sell-off again on Monday, one leading marketmaker said the FT-SE would probably match any fall in the Dow Jones Average last night "point for point".

Also affecting sentiment in the market was the expiry of the FT-SE February index options and evidence of at least one and possibly two big sell programmes going through the market during the morning. And one of the market's most aggressive marketmaking houses was said to have taken a view of the market in mid-morning and unloaded heavy blocks of stock across the market.

Strategists said the FT-SE could well test its recent support level of 3,350 in the short term and would probably see 3,300 before it gets back to 3,500.

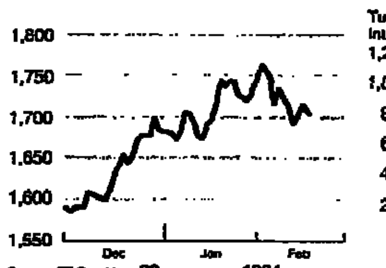
Turnover yesterday was a lowly 630.9m shares, giving credence to stories that marketmakers were reluctant to deal in the face of the uncertainties surrounding bond markets. The value of customer business on Thursday dropped to £1.4bn, the lowest of the week.

Account Dealing Dates

*First Dealings: Jan 31	Feb 14	Feb 28
Option Declarations: Feb 10	Feb 24	Mar 10
Last Dealings: Feb 11	Feb 25	Mar 11
Account Day: Feb 21	Mar 7	Mar 21

*New time dealings may take place from two business days earlier.

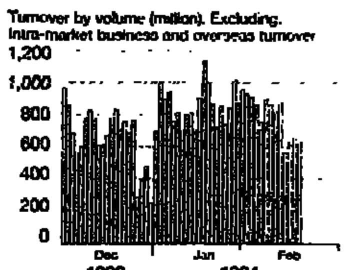
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE Mid 250	4025.5	-28.8
FT-SE-A 350	1712.4	-19.5
FT-SE-A All-Share	1703.02	-18.07
FT-SE-A All-Share yield	3.33	(3.29)
FT Ordinary index	2606.9	-27.1
FT-SE-A Non Fins p/e	22.66	(22.93)
FT-SE 100 Fut Mar	3368.0	-56.5
10 yr Gilt yield	6.63	(6.51)
Long gilt/equity yld ratio:	2.13	(2.13)

FT-SE 100 Index

Closing index for Feb 18	3382.6
Change over week	+3.7
Feb 17	3425.3
Feb 16	3417.7
Feb 15	3393.2
Feb 14	3363.5
High*	3437.6
Low*	3350.2

*Intra-day high and low for week

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	4,600	68¼	-1¾	Lonrho	2,800	158	-2½
Abbey National†	1,800	513	-8	Lucas	3,500	224	+1
Albert Fisher	179	68		MEPC†	1,400	504	-7
Allied-Lyons†	659	620	-7	MFI	1,100	174½	-2½
Anglian Water†	588	584	+2	Manweb	145	776	-12
Argos	117	366½	-2½	Marks & Spencer†	3,800	434	
Argyll Group†	2,200	256½	-6½	Midlands Elect.	253	669	-16
Arjo Wiggins†	1,400	297		Morrison (Wm.)	1,700	107	
Assoc. Brit. Foods†	181	562	-2	NFC†	3,500	259	-8
Assoc. Brit. Ports	323	625	+3	NatWest Bank†	4,000	539	-12
[illegible]							

EQUITY FUTURES AND OPTIONS TRADING

March Footsie futures fell sharply yesterday, pulling the underlying market lower and indicating further falls on Monday, as dealers reacted to a global bond market slide writes *Joel Kibazo*.

An initial advance in the March contract on the FT-SE 100 soon gave way to worries about US inflation.

At the official close March stood at 3,368, its low point of the session and a 14-point discount to cash on volume of 15,387 contracts. A further slide in after hours trading saw March close at at a 27 point discount to cash.

Expiry of the index options was the main feature in the traded options. Turnover of 51,049 included 30,315 in the FT-SE 100

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3398.0	3368.0	-56.5	3414.0	3347.0	19510	58998
Jun	3405.0	3381.5	-57.0	3415.5	3387.0	355	12443
Sep		3402.0	-56.5			0	390

Contract traded on APT. Open interest figures are for previous day.

FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4045.0	4036.5	-8.5	4050.0	4045.0	38	2,706
Jun		4040.0					

All open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3382) £10 per full index point

[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday February 18 1994

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

FT-SE Actuaries All-Share

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry baskets

[illegible]

Recs hit by worries over Offer

Bearish rumours surrounding the regional electricity companies (Recs) sent shares across the sector sharply lower yesterday.

Prominent among these was speculation that one of the sector's leading brokers was set to turn cautious on Monday. There was also talk that some Recs face losses from the decision last week by Offer, the industry regulator, to force National Power and PowerGen to peg electricity pool prices. Some companies are said to have tied themselves into contracts with the generators at the old rate and now face selling on the electricity at the new lower rate. According to the more pessimistic versions, one of the Recs faces losses up to £20m.

However, most analysts were dismissive of the rumours, which have also been hotly denied by the companies, and point to regulatory concerns as the big negative factor hanging over the shares. The Recs face their own Offer review in the coming months and the intervention in the generating market has increased fears of new regulation in the supply side.

Among those hurt by the rumours, Eastern slid 14 to 679p, Southern 12 to 674p and Northern 14 to 716p.

Meanhwile, the big UK generators gained on continuing relief over last week's Offer ruling. S.G. Warburg said PowerGen and National Power offered the best dividend growth prospects in the sector. "This and the new regulatory stability mean that the two stocks should be rated on an earnings and not a yield basis," said analyst Mr Nick Pink. PowerGen shares gained 5 to 579p and National Power 3 to 502p.

Carlton stumbles

Nervousness over Carlton Communications ahead of the annual meeting next week sent the shares down 17 to 947p in a buoyant sector.

The selling was prompted by recent news that three big media organisations - MAI, Time Warner and Pearson – had formed a consortium to bid for a national Channel 5. The channel would be in competition with Carlton's terrestrial broadcast arm.

There was also speculation that BZW, the company's joint broker, had lowered its forecasts although Mr Peter Hilliar, BZW's leisure analyst, said: "If we were to change the figures we would move them up rather than down".

Hoare Govett said the shares had underperformed the All-Share index by 4.7 per cent over the past month and fallen to a 10 per cent premium. Pearson was steady at 720p and MAI firmed a penny to 296p. It was announced that MAI's bid for Anglia (up 4 at 655p) would not be referred to the monopolies and mergers commission.

Television stocks were enlivened by the implications of Thursday's deal between Flextech, an arm of the world's biggest cable TV group, and HTV, the Welsh and West of England broadcaster. USM-listed Flextech rose 13 to 457p and HTV 7 to 159p. The improved bid potential gave a boost to the other regional groups. Scottish gained 24 to 574p while Ulster jumped 44 to 760p. Yorkshire Tyne-Tees rose 5 to 351p.

Pharmaceuticals group Glaxo lost two thirds of the gains notched up after Thursday's sparkling interim results. Some US investment houses refused to be cheered by the figures. Lehman Brothers, for example, said at its morning meeting: "At a p/e of 15 times 1994 earnings Glaxo looks fully valued", and advised clients to take profits whenever the stock broke through 700p. The shares fell 18 to 679p.

Hong Kong-related stocks, which have closely reflected the fortunes of the Hong Kong stockmarket recently, went their own ways. HSBC and Cable & Wireless fell 29 to 990p and 13 to 469p respectively on profit-taking. Standard Chartered, benefiting from a recommendation by Swiss Bank, lifted 17 to 1302p.

Oil majors reflected a crude oil price at a five-year low of around $13 a barrel. Analysts expect oil prices to remain under pressure at least until the next OPEC meeting in late March. BP fell 5 to 361p and Shell Transport lost 5 at 729p.

ICI slid 15 to 774p ahead of figures on Thursday, which are forecast to reflect a turnaround in profits. In spite of downgrades late last year on concerns over tough trading conditions, analysts predict profits of between £270m and £328m, compared with hefty losses last year.

Wellcome lost 8 at 656p. The company announced that the amount of shares held in the form of American Depositary Receipts was below 4 per cent for the first time since the 288m share offer by Wellcome Trust in August 1992. The stake has fallen to 3.97 per cent from a peak of 8.7 per cent then.

Textiles company Atkins dropped 28 to 139p after a profits warning.

Aerospace and medical equipment group Smiths Industries added 4 at 479p on perceptions that the group will benefit from this week's $6bn Saudi aircraft order. Smiths is a supplier to Boeing.

A buyer of around 2m shares at 584p, boosted Inchcape, the shares gaining 3 to 579p.

Vosper Thorneycroft raced 27 ahead to 799p, after an agency cross of around 200,000 shares at 800p a share.

Concern over the extent of interest in the Channel tunnel helped P&O, the cross-Channel ferry operator, the shares adding 6 to 700p.

Ashtead resisted a thin day in building and construction stocks to rise 30 to 451p ahead of interims on Monday.

Composites insurers were dragged down with the market, in spite of good figures expected next week. "Pre-results torpor" was how one analyst described the day, adding that the market was forecasting a downturn in underwriting profits by 1994-95.

First to report next Tuesday is Guardian Royal Exchange, down 7 to 232p. Charterhouse Tilney is forecasting a £165m profit. Commercial Union, down 12 to 636p, reports on Wednesday, with Panmure Gordon forecasting £190m against £24m last year. Thursday sees figures from Royal Insurance, down 5 to 314p. General Accident fell 11 to 681p and Sun Alliance 10 to 378p.

A mixed trading statement from Greenalls confirmed the current dull trend among domestic drinks stocks. The shares fell 5 to 455p.

Other statistics, Page 9,19.

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (120).

BUILDING & CNSTRN (6) Ashtead, Britannia, Crest Nicholson, EBC, McAlpine (A), Tay Homes, BLDG MATLS & MCHTS (7) Bardon, British Dredging, Calebread Robey A, Gibbs Dandy A, Heath (S), Ramus, St. Gobain, CHEMICALS (1) Alcan, DISTRIBUTORS (6) Bletchley Motor, Dagenham Motors, Middlesex, Norbain, Pendragon, Quicks, DIVERSIFIED INDLS (3) Hawtin, Kvaerner B, Undare, ELECTRICITY (1) PowerGen, ELECTRNC & ELECT EQUIP (3) Control Techniques, Druck, Hewlett-Packard, ENGINEERING (13) EXTRACTIVE INDS (6) Glencar Expln., Gold Mines Australia, NSM, Perseverance, Petaling, FOOD MANUF (2) Greencore, Matthews (B), HEALTH CARE (3) Amersham Intl., Arjo, Community Hspts., HOUSEHOLD GOODS (4) IWP Intl, Paterson Zochonis, Do A, Relyon, INSURANCE (1) Syndicate Capital Wts., INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (5) LEISURE & HOTELS (8) Crockfords, Granada, Manchester Utd., Quadrant, Stanley Leisure, Vardon, MEDIA (14) OIL EXPLORATION & PROD (2) Victoria Prtm., Villers, OIL, INTEGRATED (1) Emerald Energy, OTHER FINANCIAL (5) Carlisle, EFT, London Finance & Invs., Quayle Munro, Union Discount, PRTNG, PAPER & PACKG (11) Arjo Wiggins Appleton, Bemrose, Blagden Inds., Brit. Polythene 7 1/2pc PL, Cropper (J), De La Rue, Ferguson Intl., Hunters Armley, Kymmene, Portals, Stora B, PROPERTY (8) Aukett Associates, Bisby, Chesterfield, Estates & Agency, Green Property, Warnford Inv., RETAILERS, GENERAL (2) Flying Flowers, Signet 6 7/8p PL, TEXTILES & APPAREL (1) Abbeycrest, TRANSPORT (2) Assoc. British Ports, Goode Durrant, AMERICANS (1) Rockwell Intl.

NEW LOWS (15).

GILTS (3) Exch. 12¼pc '94, Exch. 13¼pc '94, Treas. 12pc '95, INSURANCE (1) USF & G, PHARMACEUTICALS (1) Scotia, PROPERTY (1) Chelsfield, RETAILERS, GENERAL (1) Burton, SUPPORT SERVS (1) Holmes Protection, TEXTILES & APPAREL (2) Bulloss, Horace Small Apparel, AMERICANS (5) Amer. Cyanamid, Data General, Decora Inds., FPL, NYNEX.

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Acorn Computer	85	+	12
Ashtead	451	+	30
Brooke Tool	16¾	+	2¼
Chiltern Radio	203	+	35
Crabtree	359	+	12
Cropper (J)	439	+	17
Grampian TV	300	+	21
HTV	159	+	7
Paterson Zoch A	595	+	40
Ramsden's (Harry)	229	+	9
Scottish TV	574	+	24
Trans World	159	+	11
Ulster TV	760	+	44
Vosper Th'croft	999	+	27
Falls			
Atkins	139	–	18
Clinical Computing	165	–	8
Gestetner	181	–	8
HSBC (75p shs)	990	–	29
ICI	774	–	15
Kleinwort Benson	614	–	18
NatWest Bank	539	–	12
Sainsbury (J)	366	–	14
Warburg (SG)	916	–	29

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for trading on 18.02.94 Pool purchase price £/MWh	Final Prices for trading on 22.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.00	18.02	18.02
0100	29.79	29.74	31.70
0130	29.79	33.70	35.66
0200	29.79	33.70	35.66
0230	29.79	25.95	27.92
0300	19.37	25.95	27.92
0330	19.37	25.55	27.52
0400	18.81	21.13	23.10
0430	17.10	21.13	23.10
0500	16.98	21.13	23.10
0530	16.79	20.43	22.39
0600	16.79	20.43	22.39
0630	16.79	20.48	22.44
0700	17.75	20.48	22.44
0730	16.79	20.48	22.44
0800	16.79	20.48	22.44
0830	16.76	20.71	22.67
0900	18.99	22.35	24.32
0930	19.93	22.65	24.61
1000	22.30	24.98	26.95
1030	22.30	24.98	26.95
1100	22.30	24.98	26.95
1130	22.30	24.98	26.95
1200	22.30	24.66	26.62
1230	19.93	22.65	24.61
1300	19.93	22.65	24.61
[illegible]			

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants, SP10 1RE 0264 345794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	228.43	228.43	243.01	-1.38	-
Do Accum	6	251.80	251.80	267.86	-1.52	-
TSB Brit Growth	6	108.78	108.78	107.10	-0.66	1.58
Do Accum	6	119.32	119.32	126.87	-0.65	1.58
TSB European	6	114.70	114.70	122.02	+1.10	0.13
Do Accum	6	121.90	121.90	129.69	+1.24	0.18
TSB Extra Income	6	215.88	219.19	233.18	+4.08	3.48
Do Accum	6	358.42	363.90	387.13	+0.69	3.45
TSB Smaller Cos	6	80.95	83.10	88.41	-0.16	0.60
Do Accum	6	89.90	92.38	98.28	-0.17	0.60
TSB General	6	307.22	311.78	331.69	-0.24	1.87
Do Accum	6	619.89	629.09	669.18	-0.48	1.87
TSB Premier Income	5	55.59	58.59	69.62	-0.09	5.48
Do Accum	5	120.60	122.73	127.84	-0.20	5.48
TSB Income	6	377.22	383.07	407.53	-0.04	2.77
Do Accum	6	798.88	811.28	863.07	-0.09	2.77
TSB Pacific	6	457.58	457.58	486.79	+0.31	-
Do Accum	6	480.81	480.81	511.50	+4.36	-
TSB International	6	584.87	584.87	621.90	+1.32	0.06
Do Accum	6	767.34	767.34	816.32	+1.79	0.06
TSB Nat Resources	6	178.75	178.75	190.15	-3.10	0.04
Do Accum	6	186.17	186.17	208.09	-3.39	0.04
TSB Slctd Opps	6	119.50	121.57	129.33	+0.03	0.76
Do Accum	6	150.80	153.41	163.20	+0.04	0.76
Environmental Inv	6	67.78	67.78	72.11	-0.72	1.34
Do Accum	6	73.48	73.48	78.17	-0.79	1.34
TSB Selector	6	69.43	70.56	75.00	+0.05	1.89
Do Accum	6	77.15	78.43	83.44	+0.09	1.89
TSB High Income	6	70.65	71.74	76.32	-0.07	4.01
Do Accum	6	86.21	87.29	92.86	-0.09	4.01
TSB Intl Income	6	63.58	64.58	68.14	+0.03	4.51
Do Accum	6	74.07	75.63	80.35	+0.03	4.51
TSB Selector Income	6	67.38	68.13	72.48	-0.03	4.59
Do Accum	6	76.57	77.42	82.36	-0.03	4.59

T.U. Fund Managers Limited (1200)H

M.A Tower, Addiscombe Road, Croydon 081-686 4355

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
T.U. British	5	355.3	360.8	378.8	-0.40	2.35
T.U. European	5	54.95	55.27	57.97	+0.30	2.00

Templeton Unit Trust Managers Ltd (1200)F

20 Castle Terrace, Edinburgh EH1 2EH 031-469 4000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	233.63	234.15	250.37	+0.59	1.42
Global Growth Inc	6	211.92	212.38	227.09	+0.53	1.42
Global Balanced Acc	6	208.29	208.50	229.86	+0.04	2.43
Global Balanced Inc	6	168.18	160.37	182.91	+0.04	2.43
Value Tst Acc	6	138.49	139.01	148.67	+0.23	1.31
Value Tst Inc	6	126.96	127.46	136.30	+0.22	1.31

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	986.8	1038.8	-1.7	-
Higher Income Ser 5	1068.1	1124.3	-2.3	-
Property Ser 5	525.4	553.0	-	-
Fixed Interest Ser 5	423.7	445.9	-0.4	-
Index Lnkd Secs Ser 5	185.7	195.4	-0.9	-
Gtd Deposit Ser 5	289.5	304.7	-	-
Nth America Ser 5	435.5	458.4	-1.7	-
Far East Ser 5	589.0	620.9	+2.0	-
Europe Ser 5	375.6	395.2	+3.1	-
International Ser 5	573.2	603.3	-1.1	-
Balanced Ser 5	710.7	748.1	-0.9	-
Reserve Ser 5	149.2	157.0	-	-
Opportunity Ser 5	165.4	174.1	+0.1	-
Distribution Ser 5	106.4	111.9	-	8.43
Pens Equity Ser 3 (z)	1400.4	1474.1	-1.8	-
Pens Higher Inc S 3 (z)	338.4	356.2	+0.1	-
Pens Fixed Int S 3 (z)	570.1	600.1	+1.1	-
Pens Index-Linked Ser 3 (z)	242.1	254.8	+0.2	-
Pens Property S 3 (z)	490.3	516.1	-	-
Pens N America S 3 (z)	193.5	203.6	+0.7	-
Pens Far East S 3 (z)	341.8	359.7	-	-
Pens Europe S 3 (z)	209.7	220.7	+0.3	-
Pens Overseas S 3 (z)	867.6	913.2	-0.8	-
Pens Balanced S 3 (z)	829.0	872.6	-0.5	-
Pens Cash S 3 (z)	421.2	443.3	-	-
Pens DAF Series 3 (z)	235.5	247.8	-	-
Pens DAF Series 1 (z)	487.4	491.9	-	-
Pens Opportunity S 3 (z)	179.9	189.3	-0.2	-
Pens Reserve S 3 (z)	172.9	182.0	+0.2	-

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

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	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	82.7	87.0	—	-
Global Equity	82.1	86.4	—	-
High Yield	79.5	83.7	—	-
Intl Equity	88.5	93.2	—	-
Fixed Interest	80.9	85.2	—	-
Money	76.2	80.2	—	-
Managed	84.1	88.5	—	-
Pensions				
UK Equity	90.3	95.0	—	-
Global Equity	88.4	93.0	—	-
High Yield	92.8	97.73	—	-
Intl Equity	99.38	104.5	—	-
Fixed Interest	97.90	102.7	—	-
Money	94.3	99.3	—	-
Managed	94.9	99.9	—	-
Tax Exempt				
Tax Exempt Mgd	71.0	74.7	—	-
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7566				
Managed Fund	162.4	171.0	+0.3	-
Pension Mngd Fd	184.2	193.9	+0.6	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	789.3	835.3	-0.1	2.14
Commodity AB Bond Fd	168.0	177.8	—	-
Deposit Fd†	360.4	381.4	—	5.77
Directors' Portfolio	87.8	93.1	-0.3	-
Equity Pens Fd	201.5	213.3	-0.1	-
European Mngd Fd	70.4	74.8	+0.5	-
Gilt Fd	542.9	574.6	+1.3	7.43
Gilt Pens Fd	149.2	157.9	+0.4	7.38
Global Equity Fd	249.1	263.8	+0.2	-
Global Eq Pens Fd	248.7	263.2	+0.1	-
High Int Pens Fd†	132.3	140.1	-0.1	5.46
Japanese Mngd Fd	93.9	99.4	-0.6	-
Managed Income Fd	52.3	55.4	—	5.00
Man Pens Fd	208.3	220.5	—	1.89
North American Mngd Fd	72.8	76.8	—	-
Pacific Mngd Fd	90.9	96.2	-0.1	-
Property Fd*	98.1	103.9	—	6.01
Prop Pens Fd*	128.1	135.6	—	6.80

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Fleming Managed Inv Tst	144.1	151.8	-1.3	-
F & C Investment Trust	187.2	197.0	-1.2	-
Framlington Managed	247.7	260.7	+0.4	-
Gartmore Managed	276.6	291.1	-0.5	-
Henderson Managed	277.6	292.2	+0.2	-
Hill Samuel Managed	241.4	254.1	+0.1	-
Invesco Managed	209.7	220.7	-0.2	-
James Capel Core Mngd	146.9	154.6	+0.2	-
Kleinwort Benson Mngd	146.2	153.8	+0.4	-
Martin Currie Mngd	164.2	172.8	+0.6	-
Morgan Grenfell Mngd	166.7	175.4	+0.2	-
Murray Johnstone Managed	158.6	166.9	+0.8	-
Perpetual Managed	231.6	243.8	+0.8	-
Schroder Managed	144.3	151.8	+0.3	-
Pension Managed Funds				
Skandia Cautious	162.7	171.2	-0.2	-
Skandia Balanced	621.3	653.9	+0.1	-
Skandia Ethical Selection	142.4	149.8	+0.3	-
Skandia Deposit	448.4	472.0	+0.1	-
Abtrust Managed	150.1	158.0	+0.2	-
Baring Managed	171.9	180.9	+0.4	-
BZW Managed	135.2	142.3	-0.2	-
CU Managed	307.8	324.0	-0.4	-
Fidelity Managed	247.8	260.8	+0.6	-
Fleming Managed Inv Tst	167.2	176.0	+0.1	-
F & C Investment Trust	218.4	229.7	-1.6	-
Framlington Managed	386.2	406.5	+0.7	-
Gartmore Managed	416.0	437.8	-0.7	-
Henderson Managed	371.7	391.2	+0.2	-
Hill Samuel Managed	317.3	333.9	-0.1	-
Invesco Managed	296.0	311.5	-0.3	-
James Capel Core Mngd	166.7	175.4	+0.3	-
Kleinwort Benson Mngd	157.6	165.8	+0.6	-
Martin Currie Mngd	185.6	195.3	+0.7	-
Morgan Grenfell Mngd	190.2	200.2	+0.2	-
Murray Johnstone Mngd	171.4	180.4	+0.5	-
Perpetual Managed	284.7	299.6	+0.9	-
Schroder Managed	159.1	167.4	+0.6	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	732.9	771.5	-5.2	-
Equity	1045.4	1100.5	-10.3	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Fleming Group

Commercial Union Luxembourg SA - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Feb18 / US$)

[illegible]

CANADA (Feb18 / Can. $)

[illegible]

EUROPE

AUSTRIA (Feb18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb18 / Frs.)

[illegible]

DENMARK (Feb18 / Kr)

[illegible]

FINLAND (Feb18 / Mka)

[illegible]

FRANCE (Feb18 / Frs.)

[illegible]

GERMANY (Feb18 / Dm.)

[illegible]

ITALY (Feb18 / Lire)

[illegible]

NETHERLANDS (Feb18 / Fls.)

[illegible]

NORWAY (Feb18 / Kroner)

[illegible]

SPAIN (Feb18 / Pts.)

[illegible]

SWEDEN (Feb18 / Kronor)

[illegible]

SWITZERLAND (Feb18 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Feb18 / Rand)

[illegible]

PACIFIC

JAPAN (Feb18 / Yen)

[illegible]

AUSTRALIA (Feb18 / Aus$)

[illegible]

HONG KONG (Feb18 / H.K.$)

[illegible]

MALAYSIA (Feb18 / MYR)

[illegible]

SINGAPORE (Feb18 / S$)

[illegible]

INDICES

	Feb 18	Feb 17	Feb 16	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	24887.2	25470.4	25470.40	16/2/94	12187.88	8/3/93
Australia							
All Ordinaries(1/1/80)	2223.2	2240.9	2249.0	2340.60	3/2/94	1495.00	13/1/93
All Mining(1/1/80)	1043.6	1063.2	1061.4	1136.10	3/2/94	584.70	13/1/93
Austria							
Credit Aktien(30/12/84)	450.75	451.61†	453.32	460.66	3/2/94	300.28	14/1/93
Traded index(2/1/91)	1172.35	1177.04	1184.11	1222.25	1/2/94	712.08	15/1/93
Belgium							
BEL20 (1/1/91)	1536.19	1526.48	1522.68	1542.65	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	10409.0	(c)	10409.00	17/2/94	71.47	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3636.37	3652.85	3824.93	1/2/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4407.30	4424.10	4591.30	1/2/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2079.56	2084.13	2182.89	1/2/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4754.5	4674.4	4867.80	4/2/94	2812.58	10/5/93
Denmark							
CopenhagenSE(3/1/83)	408.83	405.70	405.93	415.79	2/2/94	281.98	4/1/93
Finland							
HEX General(28/12/90)	1936.0	1942.5	1923.9	1972.80	4/2/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1520.36	1534.26	1527.44	1585.20	2/2/94	1114.19	28/1/93
CAC 40(31/12/87)	2251.78	2281.18	2284.32	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	822.86	819.31	819.15	856.67	4/1/94	698.92	14/1/93
Commerzbank(1/12/53)	2350.6	2339.4	2336.2	2459.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2151.97	2128.72	2136.61	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1067.35	1030.41	1031.35	1194.58	18/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	10825.88	10786.58	10634.14	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	3915.0	3867.3	3807.4	4162.08	8/2/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	554.78	564.69	574.82	612.88	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	1989.88	2000.56	1994.08	2082.16	20/1/94	1181.19	11/1/93
Italy							
Banca Comm Ital (1972)	689.03	682.79	688.52	689.03	18/2/94	448.38	6/1/93
MIB General (4/1/94)	1102.0	1092.0	1071.0	1102.00	18/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	18859.80	18931.39	19052.11	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	287.96	288.42	287.85	308.94	10/11/93	240.84	29/11/93
Topix (4/1/68)	1557.11	1553.55	1558.10	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2115.0	2112.90†	2119.77	2384.97	7/6/93	1661.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1086.73	1072.14	1091.13	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2775.52	2780.23	2881.17	8/2/94	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	444.8	450.6	448.6	454.90	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	288.3	292.0	290.7	294.80	31/1/94	198.60	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2284.16	2324.91	2311.92	2439.84	3/2/94	1465.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1189.53	1193.30	1188.18	1204.17	4/2/94	699.93	27/1/93
Philippines							
Manila Comp (2/1/85)	3051.71	3036.74	3034.97	3308.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	3228.6	3215.8	3171.7	3228.60	18/2/94	1698.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	599.12	599.47	600.06	641.61	4/1/94	384.10	13/1/93
South Africa							
JSE Gold (28/9/78)	1902.0♥	1961.0	1874.0	2331.00	4/1/94	775.08	5/1/93
JSE Indl. (28/9/78)	5695.0♥	5675.0	5591.0	5822.00	4/2/94	4333.80	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	925.39	920.36	920.43	974.26	2/2/94	605.93	8/3/93
Spain							
Madrid SE (30/12/85)	345.46	347.98	348.07	358.31	31/1/94	216.60	4/1/93
Sweden							
AffarsvardnGen (1/2/37)	1582.4	1589.0	1557.60	1608.99	31/1/94	878.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1360.80	1374.85	1361.83	1423.34	31/1/94	894.88	11/1/93
SBC General (1/4/87)	1048.24	1060.51	1048.77	1089.29	31/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	5845.47	5805.49	5862.63	6464.62	6/1/94	3088.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1456.08	1446.20	1429.11	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Comp.(Jan 1986)	19274.6	19131.0	17681.3	20083.69	13/1/94	3955.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	623.7*	623.9	625.8	641.00	1/2/94	488.80	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1495.00	1518.65	1491.80	1540.15	31/1/94	1083.02	13/1/93
Euro Top-100 (26/6/90)	1275.69	1287.04	1273.23	1311.01	2/2/94	862.73	13/1/93
JCapelDgns (31/12/88)	(u)	347.46	344.37	385.19	5/1/94	189.92	4/1/93
Barings Emerg.(7/1/92)	181.50	181.87	182.29	182.72	14/2/94	99.81	4/2/93

** Sat Feb 12: Taiwan Weighted Price (c) ; Korea Comp Ex 917.15. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Feb 18 - 2133.85 -28.44.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Feb	2284.0	2259.0	-33.0	2292.0	2258.0	19,419	16,246
Mar	2297.0	2269.5	-32.5	2302.5	2269.0	2,382	49,254
Apr	-	2280.5	-33.0	-	-	-	950

Open interest figures for previous day.

US INDICES

Dow Jones	Feb 17	Feb 16	Feb 15	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3922.64	3937.27	3928.27	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.81	104.91	104.80	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1798.51	1801.60	1802.04	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	212.10	212.78	215.46	256.46 (31/8/93)	212.10 (17/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3975.82 (3964.86) Low 3894.21 (3908.32) (Theoretical♦)
Day's high 3957.81 (3949.65) Low 3906.60 (3927.14) (Actual♦)

Standard and Poors	Feb 17	Feb 16	Feb 15	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	470.34	472.79	472.52	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	551.25	553.69	552.67	569.59 (2/2/94)	498.48 (26/4/93)	569.59 (2/3/94)	3.62 (21/6/32)
Financial	44.23	44.53	44.54	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.36	262.55	262.36	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	474.46	475.32	474.84	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	790.24	792.62	790.12	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	2.58	2.62	2.57	3.00
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.35	2.32	2.58
S & P Ind. P/E ratio	26.18	26.07	26.51	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	470.10	470.90	+0.50	470.90	469.50	51,298	180,705
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
US Surgical	10,700,000	18¾	-3⅛
Martin Mar	4,478,600	24⅝	...
Glaxo	4,154,700	20⅛	+⅛
Boeing	4,034,200	47⅝	+1¼
Valassis	3,558,200	17⅝	+6⅛
Telefonos	3,274,300	73⅜	-⅛
Merck	3,122,700	33⅛	...
Blockbuster	3,028,000	23⅝	-⅞
Int Game	2,902,200	28¼	+1⅛
Gen Motors	2,845,200	60⅜	-1⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 17	Feb 16	Feb 15
New York SE	338.879	295.390	308.887
Amex	19.197	19.371	20.041
NASDAQ	354.812	338.501	295.837
NYSE			
Issues Traded	2,761	2,751	2,749
Rises	878	1,187	1,196
Falls	1,263	941	869
Unchanged	620	623	684
New Highs	109	103	82
New Lows	51	41	34

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow plunges on free fall in long bonds

Wall Street

US stocks plunged yesterday morning as longer-dated US bond prices went into a free fall for the second day running, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 31.80 lower at 3,890.84, while the more broadly based Standard & Poor's 500 was down 3.24 at 467.10. In the secondary markets, the American SE composite fell 3.39 to 471.07, and the Nasdaq composite 4.26 to 785.98

Volume on the NYSE was moderate, with 176m shares traded by 1 pm. Declines led advances, 1,311 to 631.

Two sharp swings in the Dow industrial index during the previous session brought a subdued tone to the opening. Stocks drifted lower as investors mulled over the bond market's perplexing reaction to Thursday's conflicting signals on inflation.

In spite of a very favourable reading on consumer prices, traders had chosen to focus on a second-tier regional report suggesting higher prices paid by manufacturers. Analysts interpreted the subsequent sell-off as the most convincing demonstration thus far of a change in sentiment since the Federal Reserve took a first step in tightening monetary policy two weeks ago.

As the financial markets looked ahead to Tuesday's congressional appearance by the Fed chairman, Mr Alan Greenspan, bonds slumped again.

By midday, the 30-year government issue was bid down 1$\frac{12}{32}$ to 95$\frac{5}{32}$, after sliding a point the previous session. With the three-day weekend approaching, trading was thin, which exaggerated the extent of the fall.

Stocks followed closely behind, tumbling by as many as 40 points before regrouping.

Among individual issues, cyclical stocks were among the weakest. Caterpillar fell victim to profit-taking, dropping $1⅞ to $107⅞. United Technologies was down $1⅞ to $69¼, Chrysler shed $1 to $57⅞ and Allied Signal lost $1⅛ to $78⅞.

Transportation issues also slumped, with the Dow Jones Transportation Index falling 8.39 to 1,790.12. AMR, parent of American Airlines, slid $1⅞ to $64⅞ and Southwest Airlines $1⅞ to $35⅞.

Blockbuster Entertainment was near the top of the NYSE's most active list. The stock slipped $⅞ to $24¼ on reports of shareholder anger at the falling value of Viacom's planned acquisition of the video-rental company. Paramount, which is to merge with Viacom, fell $1⅛ to $75⅞, while Viacom's B shares were off $⅞ to $26⅞.

Brazil

Sao Paulo moved from mid-morning losses of around 5 per cent to a drop of 9.2 per cent in early afternoon position-squaring turned into something worse ahead of Monday's options market settlement.

The Bovespa index was down 961 at 9,449 in volume of Cr119.4bn ($204m).

Traders had reported a large amount of short positions in the options market, which could prompt some short-covering late in the day.

Canada

Toronto weakened in parallel with the US equity market. At midday the TSE 300 Composite index was 24.99 lower 4,382.29. Sector indices were generally down with particular weakness in industrials, and relative strength in oil and gas.

Noon volume was 30.3m shares, down from 41.7m at the same time on Thursday.

Milan defies forecasts of political turbulence

Haig Simonian on a strong Italian performance

This week's surprise cut in the German discount rate, which was followed by a similar move from the Bank of Italy, gave Milan's increasingly overburdened screen-based trading system an extra workload it hardly needed.

Spurred by the privatisation boom and the steady fall in international interest rates, US policy notwithstanding, the Comit share index has risen by 11 per cent so far this year and 1.3 per cent in the past week.

Meanwhile, daily equity turnover, arguably an even better indication of sentiment, has soared. For a number of days this month, trading easily exceeded L1,000bn ($591m). For brokers brought up on the market's previous lowly volume, – let alone the nadirs of the summer of 1992 – such activity seems virtually incredible.

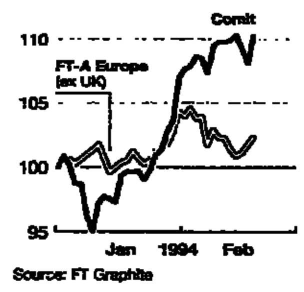
This year's strong performance belies the pundits who, as recently as last December, were recommending clients to sell ahead of growing political uncertainties. Surprisingly, the expected political turbulence has not yet materialised. Although an election date has now been set for March 27, and the political scene remains in turmoil as parties scramble to form alliances, investors have not taken fright.

Most analysts expect pre-poll nervousness eventually to have some impact. The post-election period is also unlikely to be a honeymoon, as politicians jockey for position in whatever new government takes shape, and matters may be clarified only some weeks after election day.

So far, investors appear to have been unmoved by the possible turbulence ahead. That is partly because of an energetic "charm offensive" by the Democratic Party of the Left (PDS), the former communists, who are widely expected to perform well at the polls.

PDS leaders have for some time been meeting bankers discreetly to calm fears about the potential consequences of an election victory. Later this month, Mr Achille Occhetto, the party leader, and a group of top followers are expected to take the message to the City of London at a seminar arranged by a leading merchant bank.

Political anxieties may also have been eased by the arrival on the political scene of Mr Silvio Berlusconi, the media magnate. If some polls are to be believed, Mr Berlusconi – Italy's answer to Mr Ross Perot, the former US presidential candidate – could make a strong showing. In the next parliament, his political alliance with the Northern League could create a strong centre-right wing counterbalance to a left-leaning government.



Source: FT Graphite

The market's performance, however, owes a great deal to the weight of money flowing into equities, much of it from abroad. Many investors in the UK, let alone the US, appear either ignorant of, or uninterested in short-term politics. For many, Italy is a "recovery story", where decades of corruption and mis-government are being swept away.

On the corporate side, the outlook may be gloomy for 1994, but a strong cyclical upswing is in sight. Moreover, privatisation, now speeding ahead, offers both special situations in the short-term and more efficient, better managed companies for the future.

"We are seeing a lot of big institutional investment, especially from the US," says Ms Marie-Christine Keith, of NatWest Securities in London.

Such investors, distanced from Italy's everyday political upsets and continuing corruption revelations, are taking a longer term view. For US buyers riding on the strong dollar, Italian shares are also rather cheap.

The focus on recovery means attention has switched from former star performers such as Benetton, bought on the back of strong export prospects, to cyclical stocks which could benefit from the upswing.

That has led to heady rises in industrial blue chips such as *Fiat, Pirelli and Olivetti,* in spite of their unappealing immediate prospects. Fiat warned shareholders of a potential L1,800bn net loss for 1993, while Olivetti is expected to stay firmly in the red for 1993.

Even troubled companies such as the Montedison industrial group, which was facing a very uncertain future as recently as late last year, have become favourites. Montedison's stock has powered ahead on the back of possible stake building, triggering massive speculation. But the group's own "recovery story", recently recounted via a Warburgs presentation in London, has also convinced investors.

The question is whether the current buying spree is premature. Exporters have enjoyed a surge in foreign business because of the lira devaluation, with sales to countries outside the European Union rising particularly fast. How significant the impact has been on big industrials such as Fiat, Olivetti and Pirelli is rather less clear.

If the upswing in the domestic economy is delayed, the big foreign investors now pouring into Italy may have second thoughts. Expectations will play an important part. Prices may already look high for those recalling the doldrums of summer 1992, but shares could still have much further to climb.

"We have clients who bought shares at their lows in summer 1992, forgot about them for the next 18 months and are now sitting on 300 per cent gains," says one trader.

EUROPE

Derivatives expiry meets bad bonds news

Bad news on the US business outlook from the Philadelphia Fed hit the US long bond on Thursday night, feeding through into European bond markets and equities yesterday, *writes Our Markets Staff.*

FRANKFURT's Dax index, initially, lost some of the post-bourse gains it chalked up after the Bundesbank rate cut on Thursday afternoon. While the blue chip indicator closed officially 23.25 higher at 2,151.97, 2.9 per cent up on the week, this was some 10 points below the Ibis close of the day before.

Worse was to come. Wall Street opened weaker again and the Ibis Dax eventually dropped another 18.12 to 2,133.85.

The bourse also had domestic considerations. Yesterday saw the expiry of stock options, and options on the DAX future which held up during the session but dropped heavily thereafter, hitting 2,138.0, down 49.0 at one point late in the day. Turnover, frequently affected by the expiry operation, rose from DM8.5bn to DM9.9bn.

Furthermore, brokers were worried about the prospects of industrial strife, with IG Metall officials due to vote on a strike ballot on Monday.

PARIS retreated in late trading in line with the trend elsewhere. The session was extended because of a technical problem, the CAC-40 index ending off 29.40 at 2,251.78, a week's loss of 1 per cent.

Aside from influences outside of the equity market, particularly in the matif, there was little to stimulate trading activity, with turnover a low FFr3.3bn.

Pinault-Printemps, the retailer, announced that it was to merge with La Redoute, its mail order division. Both shares were suspended until Monday, having closed on Thursday at FFr995 and FFr960 respectively.

Euro Disney was one of the day's few risers, up FFr1.40 at FFr36.60, but the shares remain 14 per cent down since the beginning of this year.

AMSTERDAM slid into negative territory in the afternoon session, influenced partly by the expiration of options. However, sentiment remained uncertain, with some traders suggesting that the market might start to consolidate around these levels.

The AEX index closed off 6.00 or 1.4 per cent at 426.91, a week's fall of 1.7 per cent.

Investors are also taking profits ahead of results due out in the next week or so from Royal Dutch, down Fl 3.50 at Fl 208.70, Unilever, off Fl 3.10 at Fl 225.50 and Akzo, down 10 cents at Fl 213.60.

ZURICH brokers said that the expiry of futures and options contracts helped lead the market lower. Volume was low as the blue-chip, SMI index fell 44.7 to 3,025.9, still showing a recovery of 1.3 per cent on the week.

The blue chips led the way down, as they had led on the upgrade earlier in the week. The SPI all-share index fell 21.73 to 1,926.45. Roche, SFr80 lower at SFr7,015, led the active list. Since volume was low, it did not take much to drive prices lower and push some shares down to the derivatives' strike prices.

MADRID, always susceptible to foreign market weakness, was also led into a late correction by the expiry of the February futures contract.

Bond market weakness cancelled out the Bank of Spain's decision to cut its daily intervention rate by 25 basis points, to 8.55 per cent.

The general index fell 2.52 to 345.46, 0.7 per cent lower on the week. Volume almost doubled in the last 45 minutes of the session as the futures expiry boosted activity – although total turnover, at Pta33.9bn, was well below its recent daily average.

Telefónica fell Pta30, or 1.4 per cent to Pta2,045. Banks were generally weak and while Banesto recovered Pta25 at Pta785, BBV lost Pta20 at Pta3,405 and BCH Pta30 at Pta2,960.

STOCKHOLM retreated with heavy profit-taking seen in Volvo following the Thursday's news that the Swedish car maker and Renault of France were to end their strategic alliance. Volvo Bs lost SKr9 to SKr683, but closed the week still 4.6 per cent ahead.

The Affärsvärlden index lost 6.60 to 1,582.40, also 4.6 per cent higher over the week.

Turnover was up to SKr4.2bn from SKr2.9bn, with activity in Volvo accounting for nearly half of yesterday's amount.

ATHENS moved upwards on prospects of a peaceful settlement in the Bosnian conflict, leaving the general index up 36.94 to 1,067.35, and 0.5 per cent higher across the week.

Turnover was estimated at Dr8bn, with construction companies outperforming the market with rises of 8 per cent.

ISTANBUL brought its week's gains to nearly 40 per cent as the composite index advanced a further 143.64 to 19,274.64. However, some traders commented that further rises might be restricted because of instability in the money markets. Turnover was down to TL1,440bn from Thursday's TL1,540bn.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Feb 18 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1504.85	1505.03	1503.53	1502.26	1500.02	1499.43	1497.89	1495.00
FT-SE Eurotrack 200	1558.45	1558.71	1558.09	1557.54	1558.12	1554.73	1554.04	1550.75

	Feb 17	Feb 16	Feb 15	Feb 14	Feb 11
FT-SE Eurotrack 100	1516.65	1491.80	1483.24	1477.57	1487.36
FT-SE Eurotrack 200	1569.15	1554.49	1540.86	1534.08	1543.87

Base value 1000 (26/10/90); Highday: 100 - 1505.51; 200 - 1560.48 Lowday: 100 - 1495.00 200 - 1550.42.

SOUTH AFRICA

Gold shares fell back as selling pressure mounted in afternoon trade on a decline in the price of bullion and the index finished off 79 at 1,902. The overall index shed 35 to 4,852, but industrials gained 20 to 5,695. Anglos lost R2.50 to R195.50.

ASIA PACIFIC

Nikkei closes week on a higher note

Tokyo

Cautiousness over currency movements prevailed, and share prices closed moderately higher after fluctuating in a narrow range on small lot index-linked trading, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average rose 28.21 to 18,959.60 after a high of 19,078.41 and a low of 18,873.09, a week's loss of 2.5 per cent. The index rose in the morning on Thursday's gains in the Chicago Nikkei futures market; however, afternoon selling on the Singapore futures market pushed share prices lower.

While the yen stabilised against the dollar at the Y105 level, lingering worries over currency fluctuations left investors inactive. Volume was 260m shares against 299m.

The Topix index of all first section stocks rose 3.56 to 1,557.11 and the Nikkei 300 closed up 0.90 to 287.96. Losers led gainers by 505 to 471, with 187 issues remaining unchanged.

In London the ISE/Nikkei 50 index rose 1.93 to 1,294.50.

Telecommunications stocks, which had lost ground this week on US threats of trade sanctions, firmed with Nippon Telegraph and Telephone rising Y14,000 to Y900,000 and NEC advancing Y11 to Y979.

Sony surged Y230 to Y6,030 on better than expected earnings estimates for the year to March. Aiwa, a Sony subsidiary, rose Y30 to Y2,300.

Sega Enterprises, the video game maker, plunged Y220 to Y7,280 on reports of poor earnings estimates. After the market closed, the company announced that it would report a pre-tax profit of Y42.5bn for the current year to March, instead of the previously forecast Y57.5bn, due to slack earnings in Europe. Pioneer Electronic plunged Y220 to Y2,580 on prospects of the company's first loss since its listing in 1964.

In Osaka, the OSE average rose 59.45 to 21,096.20 in volume of 43.1m shares.

Roundup

A depressing theme, taking in interest rates, bond markets and pressure on equities, weighed on the region yesterday.

HONG KONG finished cautious ahead of a key interest rate meeting, the Hang Seng index closing 39.30 higher at 10,825.88, but 5.9 per cent lower on the week.

Brokers were talking about a rate increase in line with that in the US but, in the event, the prime rate was held at 6.5 per cent. Nevertheless, analysts said that they still expected a rate increase soon and, in London, the Fleming Hong Kong index fell 124 to 10,702.

TAIWAN hit more selling in the financial sector as the weighted index closed off 60.02 at 5,845.47, down 7.1 per cent over the two week period which included a week's closure for the Chinese new year.

The Big Three banks fell between T$6 and T$8. One observer said that some investors were withdrawing from banks and focusing on asset-backed issues.

BANGKOK ended a volatile session higher, with the SET index recording a rise of 10.88 to 1,456.08, a week's gain of 3.5 per cent. Turnover was firm at Bt10.2bn. Bangkok Bank remained the main focus of interest, losing Bt3 at Bt197.

KUALA LUMPUR moved higher after Thursday's setback in improved turnover of M$1.4bn compared with the previous session's M$831m. The composite index gained 14.59 to 1,086.73, barely changed on the week.

AUSTRALIA saw a sharp fall in bonds as an A$150m fixed interest portfolio moved slowly through the market, and the All Ordinaries index closed 17.7 softer at 2,223.2, 0.8 per cent down on the week in turnover of A$481m.

The gold index lost 25.4, or 1.5 per cent to 2,392.0, but Samantha Gold jumped 30 cents to A$6.90 on what was described as a recent excellent quarterly report. Petroz peaked at A$1.17 before closing another 5 cents to the good at 95 cents, up since Wednesday when it announced that its well in the Timor Gap was the first to strike oil in the region.

NEW ZEALAND also blamed the bond market as the NZSE-40 index dropped 40.74 to 2,284.17, down 2.8 per cent on the week, in turnover of NZ$65m.

BOMBAY advanced on sustained buying by domestic investors and mutual funds, bringing lifting the BSE 30-index by 47.65 to 3,915.04.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 17 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY FEBRUARY 16 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	180.65	-0.1	181.91	119.27	163.04	168.11	-0.8	3.15	180.98	181.39	118.46	162.01	169.12	189.15	128.29	128.80
Austria (17)	185.83	-1.1	186.91	122.54	167.52	167.27	-0.5	0.95	187.97	188.40	123.04	168.27	168.02	195.41	139.63	145.28
Belgium (42)	166.87	0.1	167.84	110.04	150.43	146.78	0.7	3.92	166.70	167.08	109.12	149.23	145.82	169.08	140.84	140.99
Canada (107)	135.72	0.4	136.51	89.50	122.35	131.76	-0.4	2.56	135.23	136.54	88.52	121.06	132.32	145.31	117.81	118.05
Denmark (32)	269.11	0.4	270.68	177.47	242.60	246.97	0.5	0.92	267.94	268.54	175.38	239.85	245.78	275.79	195.66	204.93
Finland (22)	152.30	1.2	153.19	100.44	137.30	177.67	0.8	0.58	150.51	150.85	98.52	134.73	176.17	156.72	88.33	88.90
France (99)	179.38	0.2	180.42	118.29	161.71	165.58	0.5	2.81	179.07	179.48	117.21	160.30	164.76	185.37	149.60	152.75
Germany (59)	132.54	-1.1	133.32	87.41	119.49	119.49	-0.4	1.77	134.03	134.33	87.73	119.97	119.97	142.38	107.59	111.65
Hong Kong (56)	436.40	1.3	438.95	287.79	393.42	433.29	1.2	2.45	430.91	431.89	282.06	385.75	428.04	506.56	233.84	244.62
Ireland (14)	195.55	0.5	196.69	128.98	176.29	194.85	0.7	2.86	194.68	195.12	127.43	174.28	193.51	209.33	129.91	129.91
Italy (69)	78.39	2.3	78.84	51.69	70.67	98.34	2.4	1.72	78.65	78.83	50.17	68.62	96.03	78.93	55.21	59.53
Japan (468)	149.46	-1.0	150.33	98.56	134.74	98.58	-0.2	0.83	150.98	151.30	98.81	135.14	98.81	165.91	107.97	108.66
Malaysia (69)	490.32	-0.7	493.18	323.35	442.03	525.16	-1.0	1.39	493.85	494.97	323.25	442.09	530.37	621.63	267.68	268.11
Mexico (18)	2568.35	0.6	2583.30	1693.70	2316.32	8719.15	0.5	0.58	2554.06	2559.81	1671.76	2288.31	8672.04	2647.08	1410.30	1509.23
Netherland (26)	204.85	-0.2	206.14	135.15	184.76	181.89	0.4	2.91	205.40	205.86	134.45	183.87	181.09	207.43	157.11	157.11
New Zealand (14)	73.38	0.9	73.81	48.39	66.16	67.73	0.7	3.43	72.72	72.89	47.60	65.10	67.26	77.59	44.19	45.38
Norway (23)	200.23	0.0	201.40	132.04	180.50	208.27	0.4	1.45	200.30	200.75	131.11	179.30	202.51	204.44	136.63	140.88
Singapore (45)	346.27	0.0	348.29	228.35	312.16	253.80	-0.1	1.69	346.23	347.02	226.63	309.94	254.01	378.92	213.57	218.80
South Africa (60)	250.50	3.6	251.96	165.19	225.82	251.03	2.5	2.28	241.85	242.40	158.31	216.50	245.02	280.26	160.78	165.64
Spain (42)	150.62	0.4	151.50	99.33	135.78	160.86	0.4	3.65	149.97	150.31	98.16	134.25	160.25	155.79	118.33	125.47
Sweden (36)	221.96	0.9	223.26	146.38	200.10	262.32	0.3	1.36	219.92	220.42	143.95	196.87	261.41	230.02	154.59	161.82
Switzerland (49)	169.42	0.7	170.40	111.72	152.72	153.50	1.4	1.42	168.27	168.64	110.14	150.63	151.42	178.56	109.14	112.32
United Kingdom (215)	206.55	-0.2	207.75	136.21	186.21	207.75	0.2	3.47	206.83	207.40	135.45	185.25	207.40	214.96	163.23	164.00
USA (518)	191.26	-0.5	192.39	126.14	172.44	191.28	-0.5	2.74	192.18	192.61	125.79	172.08	192.18	196.04	176.29	176.87
EUROPE (745)	173.43	0.0	174.44	114.37	156.34	168.11	0.4	2.70	173.37	173.76	113.48	155.20	167.40	178.58	138.35	136.64
Nordic (113)	214.72	0.8	215.97	141.60	193.56	221.64	0.8	1.16	213.04	213.51	139.44	190.70	220.64	220.60	145.85	149.75
Pacific Basin (722)	160.76	-0.8	161.69	106.01	144.92	110.59	-0.2	1.09	161.96	162.35	106.03	146.00	110.79	168.80	113.79	113.87
Euro-Pacific (1467)	165.87	-0.4	166.84	109.39	149.53	132.64	0.1	1.79	166.57	166.94	109.03	149.11	132.54	170.78	123.07	123.07
North America (625)	187.83	-0.4	188.92	123.87	169.33	187.18	-0.5	2.73	188.64	189.07	123.48	168.87	188.06	192.73	172.67	173.23
Europe Ex. UK (530)	152.28	0.2	153.17	100.42	137.28	144.75	0.8	2.21	152.02	152.36	99.51	136.08	143.92	155.73	119.31	119.35
Pacific Ex. Japan (263)	269.56	0.4	271.14	177.77	243.01	248.15	0.2	2.45	268.38	268.98	175.67	240.25	247.83	296.21	164.34	164.67
World Ex. US (1652)	167.58	-0.3	168.56	110.51	151.07	135.99	0.1	1.80	168.12	168.49	110.04	150.49	135.84	172.61	124.20	124.20
World Ex. UK (1955)	171.37	-0.4	172.37	113.01	154.49	148.13	-0.1	1.99	172.05	172.43	112.61	154.01	148.32	175.58	138.71	138.81
World Ex. So. Af. (2110)	174.01	-0.4	175.02	114.75	156.87	152.48	-0.1	2.14	174.73	175.12	114.37	156.41	152.67	178.56	140.95	140.95
World Ex. Japan (1701)	189.48	-0.1	190.58	124.95	170.81	185.96	0.0	2.65	189.71	190.14	124.18	169.83	186.03	195.20	159.44	159.44
The World Index (2170)	174.44	-0.4	175.46	116.04	157.26	153.27	-0.1	2.14	175.10	175.49	114.61	156.74	153.42	178.97	141.01	141.01

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied-Lyons	600	39	48½	58	12	29	35½
(*619)	650	14	24	34½	38	58	64
Argyll	240	26½	31½	35	6	14½	18
(*256)	260	14½	20½	24½	15	25	28½
ASDA	50	9	12	13	2	3½	5
(*56)	60	3½	6½	8	6½	8½	11
Brit Airways	460	30	42	51	13½	28	33½
(*472)	500	12	23½	33½	37	50½	56
SmKl Bchm A	390	32½	44½	53½	13½	23½	30½
(*406)	420	17	30	38	29	39	46½
Boots	500	50½	60½	67	5	16½	20½
(*540)	550	17½	33	39	24	39½	43½
BP	360	18	28½	34½	15	22	28½
(*360)	390	6½	15½	22	34½	40½	46
British Steel	140	12	17	20½	6½	11	13½
(*144)	160	3½	8½	12½	18½	23	25½
Bass	500	38	52	60	11½	23	27½
(*517)	550	13½	28½	36	38	49½	55½
Cable & Wire	450	34	48	–	11½	23½	–
(*468)	475	19½	33½	–	22½	34	–
Courtaulds	460	48½	58½	62	6½	15½	20½
(*498)	500	22	31	38½	21½	33½	38½
Comm Union	600	43	58	63	12½	21½	28½
(*636)	650	16	32	36½	37	47½	55
ICI	750	49	56	64½	28	42	53
(*773)	800	15½	33	43	59½	71	82½
Kingfisher	600	45½	58	68½	15½	31	39½
(*625)	650	19	33½	45	41	58½	66½
Land Secur	700	54	62	67½	5½	19	22½
(*741)	750	19½	30½	38	24½	44	47
Marks & S	420	26½	34	40½	6½	18	20½
(*434)	460	7½	16	22½	31	40½	42½
NatWest	500	44½	59	64½	13	22	27
(*539)	550	18	33	39½	38	47½	53
Sainsbury	360	21½	30	36½	13½	27	29
(*366)	390	8	16½	24	30½	44½	47½
Shell Trans.	700	35	50½	58½	14	23½	32½
(*728)	750	9½	26	33	45	51	58½
Storehouse	220	23	29½	33½	4	9½	12½
(*236)	240	10½	17½	23	12½	18½	22
Trafalgar	106	15	19½	–	5½	8½	–
(*114)	115	11	15	–	9½	14½	–
Unilever	1200	36	58½	81	39	54	61½
(*1207)	1250	15½	36	56½	72½	85	91
Zeneca	750	48½	62½	75½	20½	33	44½
(*785)	800	18	38	51	48½	60	70½
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	420	40	49½	57½	1	6½	13
(*437)	460	5	23½	32½	7	21½	29½
Ladbroke	200	6	18	22½	2	16	21
(*204)	220	1	7½	14½	18	29½	33½
Utd Biscuits	330	22	28	33	1½	11½	17
(*349)	360	2½	11½	18½	14	30	35
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	130	9	16½	22	8½	16	19
(*130)	140	5	12½	17½	15	21½	25
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	500	31	52½	72	4	30	39
(*525)	550	4	31½	48	29½	57½	66½
BAT Inds	475	16½	–	–	2½	–	–
(*488)	500	3	28½	29	15	36½	45
BTR	360	14½	24½	32	2½	14½	21½
(*371)	390	1½	10½	18	20	33	38½
Brit Telecom	420	36½	38½	46½	1	5½	14
(*448)	460	2	15	24	14	22½	32
Cadbury Sch	493	33	37½	–	1	12½	–
(*523)	542	1½	11	–	21½	38	–
Eastern Elec	650	31½	51	64½	1½	15½	31
(*678)	700	1½	25	38	25	39	57
Guinness	500	23½	37½	50½	2½	21½	30½
(*520)	550	1	13½	27½	33	52	60
GEC	330	11½	22½	28½	2	9	17½
(*338)	360	1	8	13½	23	26½	35

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Hanson	280	9	18	20	1½	8½	13
(*287)	300	1	7½	11½	14½	20½	24½
Lasmo	120	9	19	24½	1½	9	14
(*128)	130	3½	13½	18½	5	14½	19½
Lucas Inds	220	7	18½	24	3	13	17½
(*224)	240	1	7½	15	18	25	29½
P & O	700	12	38	58	8	37	51
(*701)	750	1	17½	38	50½	69	80½
Pilkington	180	21	26½	32½	1	4½	11
(*199)	200	3½	14	21½	5	12½	20½
Prudential	330	11	17½	25½	2½	15	19½
(*338)	360	1	5½	12½	24	35½	39
RTZ	800	48½	68	85	1	18½	31
(*844)	850	8	36½	56	13½	42½	54½
Redland	550	41	53	61	1	18	28
(*589)	600	4½	24½	36	15½	45	54½
Royal Insce	288	28	–	–	1	–	–
(*313)	317	4	–	–	7	–	–
Tesco	220	11	18½	24½	1	12½	15½
(*228)	240	1½	8½	15½	14	24	27
Vodafone	600	28	53½	71½	2½	22	37
(*624)	650	22	28½	47	28½	48½	63½
Williams	390	13	25½	32	2	18½	22½
(*400)	420	1	9½	18½	22	35½	40
Option		Apr	Jul	Oct	Apr	Jul	Oct
BAA	1000	43	68½	80½	27½	46	54
(*1008)	1050	20½	37	56½	57½	73½	81½
Thames Wtr	550	33	42½	49	12	28½	32
(*567)	600	9½	18½	26	40	60½	61½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	500	22½	33	44	13½	24	31½
(*513)	550	4	13	23	50	59	61
Amstrad	35	3½	5½	7	2½	4	5½
(*36)	40	1½	3½	5	5	7	8½
Barclays	550	36	48½	60	10½	21½	31½
(*577)	600	16½	24½	36	38½	49	58
Blue Circle	380	19½	28	39	11½	24	33½
(*367)	390	7	15½	26½	28	42½	51½
British Gas	330	18	25	29½	5½	14½	18½
(*340)	360	3½	10½	15½	22½	33½	36½
Dixons	200	17	25	29	4½	8½	17
(*211)	220	6	14	18½	15	30	27½
Hillsdown	180	7½	12½	17	7	16	18½
(*180)	200	1½	5½	10½	23	31½	33
Lonrho	140	22	28	33	3	7½	13½
(*158)	160	9	16½	23	11	18½	23½
Natl Power	500	17½	31	40½	12½	25½	34½
(*502)	550	3	13	20½	50	58	65½
Scot Power	420	32	45	52½	5	12½	22
(*445)	460	8½	23	31½	23	31½	42
Sears	120	5½	8½	11½	4½	8½	10½
(*120)	130	2	5	7	12	15½	17
Forte	240	22½	28½	33	3½	11	15½
(*257)	260	9	15	23½	11½	21½	26
Tarmac	174	21	27½	–	3	8½	–
(*190)	193	8	17	–	10½	17½	–
Thorn EMI	1100	48	79½	101	18½	37	61½
(*1125)	1150	21	53½	72½	44½	61	88
TSB	240	15	24½	31	6	11½	17
(*247)	260	6½	14	23	16	22½	28
Tomkins	260	12½	21	26½	7½	13	20½
(*263)	280	4	12	17½	21	25	32
Wellcome	650	33	65	75	22½	42½	55½
(*656)	700	12½	33½	53½	52½	72	84½
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	50½	74½	88	22½	37	55
(*681)	700	25	50	63	48½	63½	81½
HSBC 75p shs	950	88	119	144	49	81½	97½
(*989)	1000	57½	96	121	74½	108	122
Reuters	2050	85½	148	187	83½	119	146
(*2065)	2100	63	122	161	113	151	171
Option		Feb	May	Aug	Feb	May	Aug
Rolls-Royce	176	5½	–	–	2½	–	–
(*178)	195	1	–	–	18	–	–

* Underlying security price. Premiums shown are based on closing offer prices.
February 18, Total contracts: 51,250 Calls: 33,207 Puts: 18,408

FT GOLD MINES INDEX

	Feb 17	% chg on day	Feb 16	Feb 15	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	2068.03	+1.5	2038.69	2008.54	1153.79	1.81	2367.40	1129.27
■ Regional Indices								
Africa (15)	2788.80	+8.8	2609.98	2593.02	1383.32	4.90	3440.80	1242.58
Australasia (8)	2643.39	+0.2	2639.29	2579.19	1131.73	1.38	3013.89	1131.73
North America (11)	1775.39	-0.4	1782.76	1755.17	1092.40	0.53	2030.65	1075.54

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb.18:217.4 ; day's change: -1.7 points; Year ago: 93.5 † Partial
Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	0	68	8	129	179	72
Other Fixed Interest	0	6	9	18	17	40
Mineral Extraction	63	61	83	277	334	424
General Manufactures	110	186	387	801	633	1,981
Consumer Goods	21	62	110	215	198	552
Services	83	115	323	540	438	1,627
Utilities	5	34	7	98	81	51
Financials	57	132	201	398	496	1,058
Investment Trusts	23	184	255	642	540	1,128
Others	38	58	23	196	252	153
Totals	400	906	1,406	3,312	3,168	7,086

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Acorn Computer, African Lakes, Avesco, Carlisle Grp, Development Sec, Division Grp, Ennex Intl, Johnson Fry, Hunterprint, SelecTV, United Industries, YTV. Puts: Tiphook. Puts & Calls: Avesco, SelecTV.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	256.0	176	163	Alpha Airports	170	-2	RN4.03	2.2	3.0	19.4
150	F.P.	102.7	152	151	Chiroscience	151		-	-	-	-
150	F.P.	26.7	186	150	Clinical Computing	165	-8	-	-	-	26.3
235	F.P.	69.5	268	250	Coda	265	+1	WN2.0	4.5	0.9	27.6
§90	F.P.	6.86	173	108	Comp Fin Sol	146	-2	N-	-	-	22.7
50	P.P.	10.4	58	55	Energy Capital	58		-	-	-	-
-	-	1.01	28	4	Do Warrants	28		-	-	-	-
50	P.P.	462.5	49	42	Kleinwort Euro Pvt	42½	-1½	-	-	-	-
-	F.P.	39.5	49	39	Do Warrants	39½	-1	-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
110	F.P.	37.3	126	122	Parkside Intl	125		RN3.0	1.5	3.0	24.5
§120	F.P.	13.4	148	122	Simms	142		R3.7	2.5	3.3	15.0
100	F.P.	42.3	98	91½	Taiwan Inv	94		-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	F.P.	0.48	15	9	Thornton P.E. Wts.	12	-1½	-	-	-	-
-	F.P.	3.08	52¼	51	Do. Zero Div. Pf.	51¼	-¼	-	-	-	-
200	F.P.	34.1	216	19½	Trifast	215		R5.6	2.2	3.3	17.7

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	130p	122½p	Carlton Comm. 5.5p Cv. Pf.	122½p	-2
-	P.P.	14/3	56ppm	44ppm	GKN Units Cv Ln '94/99	44ppm	
100	F.P.	-	101¼p	100½p	Shoprite 7⅞pc Prf 2009	100¼p	-½
-	F.P.	-	131	107	Witan 6¼pc Bds	126½	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price p	+or-
25	Nil	21/3	12pm	2pm	¥Beckenham Grp	2pm	
120	Nil	16/3	112pm	103pm	Bensford	112pm	
11	Nil	28/2	21½pm	15½pm	Carlisle	20½pm	+2½
53	Nil	23/1	28pm	16pm	Spring Ram	24pm	-3
275	Nil	25/3	44pm	38pm	Stanley Leis.	44pm	+2
10	Nil	1/3	25pm	17pm	Utility Cable	25pm	+1
51	Nil	25/2	12pm	8pm	Worthington	10pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Yr ago	*High	*Low
Ordinary Share	2606.9	2634.0	2633.0	2606.6	2587.1	2200.7	2713.6	2124.7
Ord. div. yield	3.53	3.50	3.49	3.53	3.56	4.40	4.52	3.43
Earn. yld. % full	3.86	3.82	3.82	3.88	3.89	5.92	6.38	3.82
P/E ratio net	33.04	33.37	33.43	33.05	32.67	21.55	33.43	19.40
P/E ratio nil	30.46	30.76	30.80	30.46	30.13	19.79	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2618.9	2619.7	2625.3	2620.0	2625.4	2622.2	2620.6	2619.5	2609.5	2628.6	2606.6

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Yr ago
SEAQ bargains	28,892	30,345	31,314	29,686	34,404	27,865
Equity turnover (£m)†	-	1404.3	1622.5	1621.0	1452.1	1181.6
Equity bargains†	-	33,546	35,863	33,606	39,605	32,045
Shares traded (ml)†	-	617.1	667.5	631.3	571.9	506.1

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24$\frac{1}{32}$	+$\frac{3}{16}$	£25$\frac{1}{4}$	£18$\frac{1}{4}$	6,819	4.3	13.0
ANZ A$		263$\frac{1}{4}$	–3$\frac{1}{2}$	278$\frac{1}{4}$	130	3,445	3.5	20.7
Abbey National	†□	613	–6	524	345	6,725	2.9	19.8
Allied Irish I£	‡†a□	289	–1	314	178	1,849	3.7	14.3
Anglo Irish I£	[illegible]	66	—	*70	38	80.7	6.5	12.1
Asahi Y		715$\frac{1}{4}$	+3$\frac{3}{4}$	844	416	16,881	0.6	–
Banco Bil Viz Pta		£18$\frac{1}{8}$	+$\frac{1}{8}$	£17$\frac{7}{8}$	£13$\frac{3}{8}$	3,739	5.1	7.3
Banco Sant Pta		£24$\frac{5}{8}$	—	£38	£24$\frac{1}{2}$	3,847	3.9	13.2
Bank Leumi (UK)		450	—	450	325	38.9	5.8	♦
Bk Ireland I£	‡uz□	283	–2	*319	177	1,334	4.4	20.9
Bank Scotland	‡†□	228	–2	247	116$\frac{1}{2}$	2,630	2.8	30.7
9$\frac{1}{4}$pc Pf		136$\frac{1}{4}$	–1$\frac{1}{2}$	141$\frac{1}{2}$	117$\frac{1}{4}$	136.8	8.5	–
9$\frac{3}{4}$pc Pf		143$\frac{1}{2}$	–1$\frac{1}{4}$	148$\frac{1}{2}$	123$\frac{1}{2}$	143.5	8.5	–
Barclays	‡N□	577	–8	652	362	9,364	2.7	–
Dai Ichi Kan Y		£12$\frac{1}{16}$	–$\frac{1}{4}$	£16$\frac{5}{16}$	£9$\frac{1}{2}$	36,554	0.4	68.3
Deutsche DM		£324$\frac{1}{2}$	–7$\frac{1}{2}$	£348$\frac{1}{4}$	£250$\frac{1}{2}$	15,475	1.9	–
Espirito Santo		£24$\frac{1}{2}$	—	£26$\frac{1}{4}$	£15$\frac{1}{2}$	283.8	3.2	5.9
First Nat Fin	N□	88xd	–1	*95	45	149.7	2.1	–
6.3pc Cv Pf		90	—	*91	55	4.05	8.7	–
7pc Cv Pf		169	—	171	106	78.7	5.2	–
Fuji Bank Y		1400$\frac{1}{2}$	–16$\frac{1}{4}$	1691	876	40,549	0.4	–
HSBC HK	†□	1012	–28	1133	474	17,274	2.5	24.2
HSBC (75p Shs)	†□	990	–29	1113	490	8,127	2.5	23.7
Lloyds	qN□	597xd	–5	690	492	7,671	4.6	12.6
Mitsubishi Y		£18$\frac{1}{2}$	–$\frac{1}{4}$	£19$\frac{1}{4}$	£11$\frac{1}{4}$	63,304	0.3	–
Mits Tst & Bk Y		891$\frac{1}{2}$	+6$\frac{1}{4}$	1012$\frac{1}{2}$	462$\frac{1}{2}$	11,609	0.6	14.3
Mitsui Tst & Bk Y		683$\frac{1}{4}$	–29	852	374	6,312	0.8	23.6
Nat Aust A$		588	–3$\frac{1}{4}$	629$\frac{1}{4}$	322	7,624	4.1	14.1
NatWest	†□	508	–12	534	398	8,368	4.1	32.7
Ottomane FFr		£30$\frac{1}{2}$	+$\frac{1}{2}$	£33	£23$\frac{1}{4}$	152.5	4.9	8.9
Ryl Bk Scotland	‡N□	464xd	–8	528	207	3,847	2.8	21.9
Sakura Y		£9$\frac{11}{16}$	–$\frac{1}{4}$	£11	£5$\frac{1}{4}$	31,164	0.6	58.7
Sanwa Y	s	£14	–$\frac{1}{4}$	£15	£7$\frac{1}{4}$	40,620	0.4	–
Standard Chartd	†□	1302	+17	1437	578	3,124	2.0	–
7 3/8pc Pf		108$\frac{1}{4}$xd	–$\frac{1}{4}$	109$\frac{1}{2}$	100	100.8	9.2	–
Sumitomo Y		£13$\frac{1}{4}$	–$\frac{1}{4}$	£16$\frac{1}{4}$	£8$\frac{3}{4}$	43,169	0.4	29.6
Sumitomo Tst Y		855$\frac{1}{4}$	–25$\frac{1}{2}$	987$\frac{1}{2}$	437$\frac{1}{2}$	10,844	0.6	67.1
TSB	N□	247xd	–3	281	145$\frac{1}{2}$	3,778	3.9	16.8
Tokai Y		27$\frac{1}{8}$	–$\frac{1}{8}$	£9$\frac{7}{8}$	£4$\frac{7}{8}$	15,870	0.7	51.6
Toyo Tst & Bk Y		677$\frac{1}{2}$	–24$\frac{1}{4}$	849	411	6,325	0.7	60.4
Westpac A$		244	–5	288	121	4,277	2.2	♦
Yasuda Tst Bk Y	‡	595$\frac{1}{2}$	–10$\frac{1}{4}$	690	343	8,579	0.8	53.2

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	8$\frac{1}{2}$	—	16$\frac{1}{2}$	4$\frac{1}{2}$	31.6	–	–
Bass	N□	519	+1	647	441	4,584	4.8	13.8
Boddington	†□	275	–4	288	189	331.6	3.4	16.0
Burtonwood		174xd	—	193	128	36.2	3.4	14.5
Eldridge Pope A	‡N	186	—	181	75	32.3	2.7	23.0
Fosters A$		62$\frac{1}{4}$	–$\frac{1}{4}$	78$\frac{1}{2}$	50	2,619	4.6	73.8
Fuller STA	‡†	490	—	492	338	99.5	1.9	20.6
Gibbs Mew	‡†	360xd	—	403	148	24.4	2.7	18.8
Greenalls	‡qN□	465xd	–5	511	347	949.5	3.4	15.7
Greene King	†N□	547	—	594	505	231.4	2.8	15.3

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	—	£19½	£7½	1,118	3.7	15.8
Barlow		£4¾	+⅛	£5⅛	£4	822.2	7.8	7.6
Gold Fields SA R		£13½xd	+⅛	£18	£7¼	1,344	2.9	23.4
MK Props	s	95	—	97	68	3.82	9.3	39.1
SASOL	♥	324	+1	337	215	1,835	4.8	–
SA Brews		£12¼	–⅛	£15⅛	£7¾	6,893	2.2	21.0
Tiger Oats		713	—	839	513	1,071	2.3	16.1
Tongaat-Hulett	†	487	+5	522	212	384.5	3.1	13.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on SMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend February 19/February 20 1994

Russian life 'tough but bearable'

Leyla Boulton on living standards after two years of reforms

A majority of Russians regard life as "tough but bearable" after nearly two years of stop-go market reforms and months of economic crisis.

That is the attitude of 58 per cent of the population, according to a survey published yesterday. But 28 per cent say they live in "intolerable poverty", and only 1 per cent believes it is now "very well off".

The All-Russian Centre for Public Opinion Research found that 9 per cent of 3,977 Russians polled were optimistic or rich enough to argue that "things are not as bad as all that".

The polling was carried out across the country by the organisation which forecast last December's sweeping election victory of ultra-nationalist Mr Vladimir Zhirinovsky.

Asked to evaluate their material situation, 33 per cent of those polled said they were badly off, 7 per cent thought they were "well off" and 51 per cent said their situation was "average".

In recent years, Russian industry has suffered severe job losses, with factories closing or laying off workers. The population has also had to contend with continuing food shortages and rapidly rising prices.

The survey coincided with attempts yesterday by Russian officials to persuade the International Monetary Fund that reform was still on course and the economy under control. An IMF delegation was in Moscow to clarify Russia's market reform plans since the shift in political direction after December's elections.

Mr Victor Chernomyrdin, the prime minister, who faces a credibility problem after pledging to fight inflation by non-monetary means, is believed to have warned officials they will be sacked if the IMF does not disburse a new loan of $1.5bn (£1.0bn).

Russian officials have told the IMF that the government will drive inflation down to 10 per cent a month by the end of this year, from about 20 per cent.

They argued that Moscow was still committed to achieving financial stabilisation, despite the resignation of its most ardent proponents in the Russian government.

The IMF has publicly expressed confidence that the $1.5bn, the second tranche of a facility to help countries switch from capitalism to communism, may be forthcoming.

Privately, however, officials said yesterday they were concerned about granting new money when it was still unclear whether or not Russia would stick to its budget promise to control spending and inflation.

Absent without leave, Page 6

Tories criticise Fowler for stance over European allies

By Roland Rudd

Sir Norman Fowler, the Conservative party chairman, came under attack from pro- and anti-European Tories yesterday after distancing the party from its federalist allies in the European Parliament, the European People's party.

In a speech in his Sutton Coldfield constituency, Sir Norman said Conservative members of the European parliament "will not be bound by, nor will they stand upon" the manifesto prepared by the European People's party for June's European Parliament elections.

Sir Norman said the MEPs expected to disagree with the EPP over its support for the Social Chapter and a single currency within Europe. But instead of appeasing leading Tory Eurosceptics such as Mr Bill Cash and Sir Teddy Taylor, Sir Norman's speech provoked criticism within party ranks.

Sir Teddy said: "Sir Norman should explain why our MEPs are allied with the EPP if it has such shocking opinions. The tragedy of this whole business is that the Conservative party has grown apart from the people."

Mr Cash called on the party chairman to repudiate the EPP's call for a common immigration policy, a separate European Union defence policy and a European central bank.

"If Sir Norman wants to distance himself from some of the policies of the EPP he should distance himself from all of their polices. Let's be clear where we stand so we do not deceive the voters," Mr Cash said.

Tory officials had hoped that Sir Norman's speech would avert a split on federalism in advance of the publication of the EPP's manifesto next week.

Leading MEPs said they had been reassured by Conservative Central Office that it supported their attempts to make concessions to their federalist allies. One said: "Sir Norman's speech is an attempt to prevent an election split that occurred in the 1989 European elections, with disastrous consequences".

But pro-European Conservative MPs made it clear they were as disappointed with Sir Norman's speech as were the Eurosceptics. One prominent pro-European Tory MP accused Sir Norman of "mishandling the situation badly" by "pandering to the Eurosceptics". He said unless the party put forward a more positive view on Europe several of his colleagues would not bother to campaign in the elections.

Sir Christopher Prout, leader of the Conservative MEPs, told Ludlow Conservatives, the EPP parliamentary alliance was designed to build a centre-right Europe. "It enables us to work together where we agree, and diverge amicably on points where people differ".

He is known to be angry with attempts by the Tory Eurosceptics to portray Conservative MEPs as federalist.

Lloyd's share trading plan

Continued from Page 1

year to members about "pre-emption" rights. These would give Names the right to increase their shares of syndicates when managers decide to increase capacity.

Funds released through the sale of "participations" could be used by some Names to help meet their liabilities on syndicates which have years of account left open because of uncertainty over future claims.

Lloyd's is hoping to close most of these so-called "open years" by creating a new reinsurance company, NewCo, into which assets and liabilities relating to all business underwritten before 1986 would be transferred. It is expected that NewCo will be operational by 1996.

Other members of the Value Group are Sir Laurie Magnus, a director of corporate finance at Samuel Montagu, the merchant bank which sponsored Lloyd's biggest investment trust, London Insurance Market Investment Trust and Mr Mark Brockbank, a leading underwriter.

Global bond markets fall steeply on reports of heavy US selling

By Sara Webb and Philip Coggan in London and Frank McGurty in New York

World bond markets fell sharply yesterday afternoon as reports of heavy selling by US investors created nervousness among international investors. "There was an air of panic in the markets," said Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), describing conditions at one stage as a "bloodbath". Stocks were hit on Wall Street by a fall in the US bond market.

The activity in Europe was mainly in the futures markets and bond dealers said the main culprits were the US hedge funds – private pools of funds which are managed very aggressively and are highly geared. Such funds were buyers of European government bonds – particularly in the futures market – last year and now appear to be liquidating their positions.

Dealers at US securities houses in London said rumours had swept the bond markets of hedge funds being forced to close out their positions in order to stem losses. "There are rumours that some of the big hedge funds are in trouble because they are highly leveraged players, and they are being forced to liquidate their positions," said one trader.

On Wall Street, longer-dated US Treasury bonds went into a steep fall for a second consecutive session, prompting a sell-off on the share market.

Mixed news on inflation made the prospect of a second increase in short-term interest rates loom larger, with Mr Alan Greenspan, the Federal Reserve chairman, set to deliver his twice-yearly Humphrey-Hawkins testimony on monetary policy to a congressional committee next Tuesday.

The yield on the 30-year Treasury bond climbed to 6.621 per cent, the first time it has broken 6.60 per cent since last July.

Economists said the European bond market falls ignored the economic background and the prospect of lower interest rates on the Continent. In the UK, analysts said the gilts market had not responded to economic statistics, which pointed to low inflation and subdued growth.

Bonds, Page 10

Recovery

Continued from Page 1

large December rise was not surprising and largely reflected corporate sector debt repayment.

One explanation was that companies had used an improved cash flow position to pay corporation tax instead of borrowing, which usually inflates the January figure.

The Treasury and the Bank said the figures showed that the annual growth rate of M4 remained well within its 3-9 per cent monitoring range. Officials said activity was continuing elsewhere in the economy, but that it was just not reflected in the money supply figures.

Other figures yesterday, from the British Bankers' Association, showed that lending by the UK's nine main banking groups rose a seasonally adjusted £652m in January compared with a revised £1,553m in December.

THE LEX COLUMN

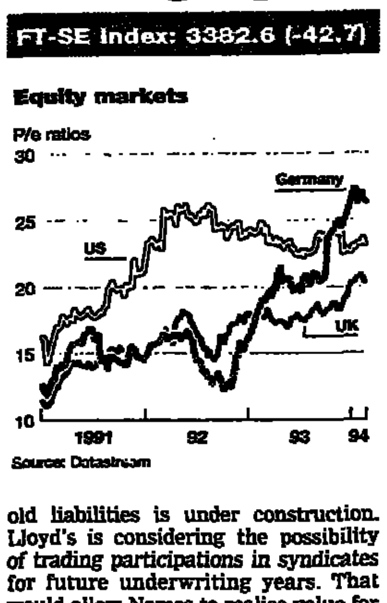
Yielding ground

Two things seem to be worrying equities. One is the domestic concern that, after botching the presentation of the latest rate cut, the authorities have lost the policy initiative just when recovery prospects are overshadowed by April's tax increases. The other is the international concern that the liquidity flow that has boosted world financial markets will dry up now the Federal Reserve has begun to tighten.

With the New York bond market jumpy about how quickly the Fed will tighten again, there is not much incentive to put more cash into any leading bond market. That already makes it harder to disguise the extent to which the governments of industrial countries are under pressure to raise money. When bond markets start to worry about supply, the natural consequence is that real yields rise, even though inflationary pressures still appear dormant. The UK may be more advanced on the recovery road than the rest of Europe but equities can do without a general trend towards higher real yields.

Compounding the problem is sterling's weakness, which may make further base rate cuts harder even if domestic economic developments suggest they are desirable. There is still a chance that, having moved sharply down this week, the gilts market has created leeway to absorb next week's auction comfortably. If it does not, equities will be in for a rougher ride. Despite yesterday's sharp fall, the FT-SE 100 index was barely changed on the week and selling pressure has been modest. Obviously the market also has an eye on the results season getting under way in earnest next week. But it will now have to be really good to reassure.

FT-SE Index: 3382.6 (-42.7)



Source: Datastream

Lloyd's

It has not been a good week for Lloyd's of London. The tragic death of another Lloyd's Name and the rejection of the market's proposed £900m settlement of past losses are evidence, if any were needed, that the pain remains real. Lloyd's proclaims that there will be no improved offer to losing Names. But the prospect of litigation and years of bad publicity must make the authorities' hearts sink every bit as much as those of the aggrieved Names. A deal is surely there to be done. Perhaps Lloyd'se hard-nosed attitude arises because progress is being made elsewhere. Corporate capital is in, and a dustbin for old liabilities is under construction. Lloyd's is considering the possibility of trading participations in syndicates for future underwriting years. That would allow Names to realise value for what is, in effect, the membership of a rather unpopular club.

This conjures an asset from thin air, but raises serious issues. In effect, current members of syndicates would be granted saleable pre-emption rights over underwriting capacity. That may be preferable to the grace-and-favour indulgence previously granted by Members' Agents. It may also alleviate some problems if Names can sell their membership of profitable syndicates to cover losses elsewhere. But corporate members may object to this assignment of value to Names. The move will also increase the hybrid nature of many syndicates, with membership increasingly split between limited and unlimited liability. If the market runs into serious claims during the transition to fully limited liability, this pantomime horse could fall apart.

Italy

Come on Italy! may be the name of Mr Silvio Berlusconi's new political movement but it also sums up sentiment towards the country's stock market. Italian equities have shot ahead by more than 40 per cent over the past year, outstripping gains in the UK, France and Germany. The market has been particularly strong since the start of 1994 with investors exhibiting steady nerves ahead of next month's unpredictable general election.

Yesterday's 0.5 percentage point cut in the discount rate confirms some favourable trends. The lower lira has stimulated export gains. Economic growth has resumed. Emerging Italian mutual funds and overseas investors have pumped liquidity into the market in anticipation of earnings recovery. On Kleinwort Benson's estimates, the market has moved to a rating of 27 times 1994 earnings. The restricted choice of stocks may have led to some over-enthusiastic buying of big industrial groups, such as Fiat, Olivetti and Montedison, but the telecommunications and banking sectors are now gaining favour. The multiples on many second-tier Italian companies do not look so highly stretched.

The worst case scenario for Italian politics – and the market – is that no clear government emerges and confusion reigns for several weeks. But, at least, the privatisation momentum is unlikely to stall. The right favours privatisation for ideological reasons, the left because it breaks the mould of economic power. Both recognise its financial imperative, given the size of Italy's deficit.

Pinault Printemps

Being a minority shareholder in a French company can be a perilous business, as investors in Canal Plus will readily testify. But those in La Redoute, which is being bought out by Pinault Printemps at a sub-market price, would appear to have even greater cause for complaint. Given that Pinault Printemps already owns 54 per cent of La Redoute's shares and has the support of other interested parties, the deal appears as good as done. But Pinault Printemps' scrip issue before the one-for-one share swap inflicts a further humiliation.

The net effect is that La Redoute's shareholders will have to accept low quality Pinault Printemps paper worth about FFr900 in return for their shares in a promising retailer with a market value of FFr960. The mysterious 13 per cent fall in La Redoute's shares over the past month – at a time when there was speculation that it would be sold – is a another story in itself, which the French stock exchange should perhaps seek to unravel. This episode is hardly the best advertisement for the French equity market at a time when the government is trumpeting the virtues of Paris as a financial centre. Mr François Pinault's abrupt treatment of minority shareholders at the time of the Au Printemps acquisition prompted an official review of French takeover rules. One hopes his latest deal will provoke a similar response.

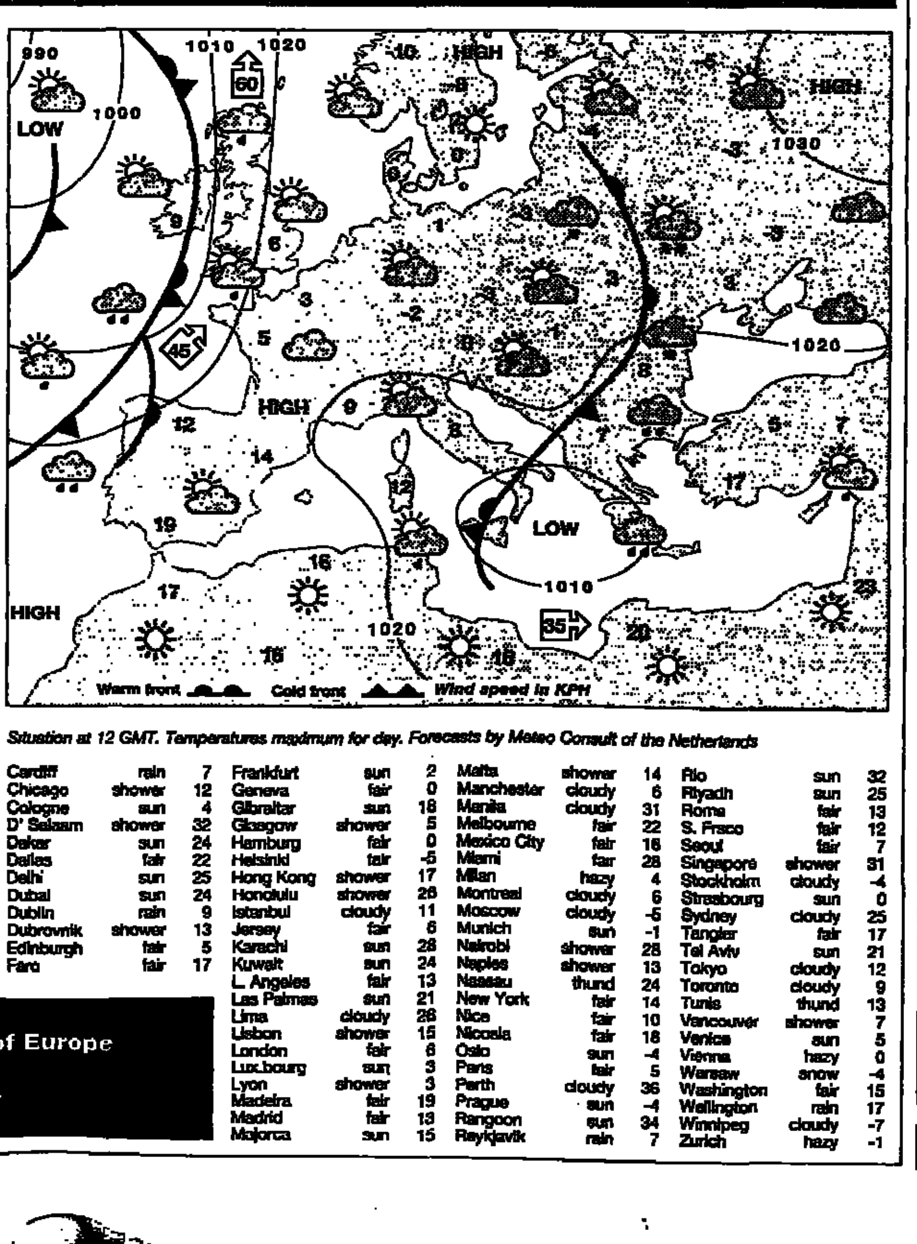
FT WEATHER GUIDE

Europe today

A low-pressure area will bring widespread showers to southern Italy and Greece and there will some thunder. The southern Balkans will have cloud and rain, and there will be snow in the mountains. Further north, the lowlands will also have snow. Poland and western Russia will remain cloudy with snow. A vast section of Germany, the Benelux countries, the Alps and north-eastern France will be sunny. Mild Atlantic air will cause outbreaks of rain in the western UK, western France and north-western Spain. South-eastern Spain will remain quite sunny with temperatures up to 20C.

Five-day forecast

On Sunday and Monday, a large part of the Continent will be wintry with sunny periods and snow. The northern Balkans and the western Alps will have moderate snow. Greece and Turkey will remain showery and cool. Portugal and Spain also will have showers, while the rain and cloud will clear in Italy. Mild, Atlantic air will push eastward, bringing rain and sleet to the eastern UK and some snow in the Benelux countries on Tuesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius							
Abu Dhabi	sun	25	Belfast	rain	8	Cardiff	rain	7
Accra	sun	34	Belgrade	snow	-2	Chicago	shower	12
Algiers	fair	16	Berlin	snow	-1	Cologne	sun	4
Amsterdam	sun	2	Bermuda	fair	23	D' Salaam	shower	32
Athens	thund	15	Bogota	fair	21	Dakar	sun	24
B. Aires	fair	25	Bombay	sun	32	Dallas	fair	22
B.ham	sleet	5	Brussels	sun	4	Delhi	sun	25
Bangkok	fair	35	Budapest	fair	2	Dubai	sun	24
Barcelona	sun	14	C.hagen	fair	1	Dublin	rain	9
Beijing	cloudy	9	Cairo	sun	24	Dubrovnik	shower	13
			Cape Town	fair	26	Edinburgh	fair	5
			Caracas	fair	25	Faro	fair	17

Frankfurt	sun	2	Malta	shower	14	Rio	sun	32
Geneva	fair	0	Manchester	cloudy	6	Riyadh	sun	25
Gibraltar	sun	18	Manila	cloudy	31	Rome	fair	13
Glasgow	shower	5	Melbourne	fair	22	S. Frsco	fair	12
Hamburg	fair	0	Mexico City	fair	16	Seoul	fair	7
Helsinki	fair	-5	Miami	fair	28	Singapore	shower	31
Hong Kong	shower	17	Milan	hazy	4	Stockholm	cloudy	-4
Honolulu	shower	26	Montreal	cloudy	-6	Strasbourg	sun	0
Istanbul	cloudy	11	Moscow	cloudy	-5	Sydney	cloudy	25
Jersey	fair	6	Munich	sun	-1	Tangier	fair	17
Karachi	sun	28	Nairobi	shower	28	Tel Aviv	sun	21
Kuwait	sun	28	Naples	shower	13	Tokyo	cloudy	12
L. Angeles	fair	13	Nassau	thund	24	Toronto	cloudy	9
Las Palmas	sun	21	New York	fair	14	Tunis	thund	13
Lima	cloudy	26	Nice	fair	10	Vancouver	shower	7
Lisbon	shower	15	Nicosia	fair	18	Venice	sun	5
London	fair	6	Oslo	sun	-4	Vienna	hazy	0
Lux.bourg	sun	3	Paris	fair	5	Warsaw	snow	-4
Lyon	shower	3	Perth	cloudy	36	Washington	fair	15
Madeira	fair	19	Prague	sun	-4	Wellington	rain	17
Madrid	fair	13	Rangoon	sun	34	Winnipeg	cloudy	-7
Majorca	sun	15	Reykjavik	rain	7	Zurich	hazy	-1

Weekend FT

SECTION II

Weekend February 19/February 20 1994

From Russia with complaints and disillusion

Jews flocked from the former Soviet Union to the Promised Land looking for a better life – but on their terms. As ***Anne Applebaum*** *reports, they received a shock*

The last time I saw Ilyusha was two years ago; it was the week before he was due to travel to Tel Aviv from Lvov, his birthplace in western Ukraine. His bags were packed, his aircraft ticket awaited him, his immigration papers had been prepared. He was planning to travel via Warsaw in order to trade a few things on the way; Ilyusha did not want to arrive in the Promised Land without cash.

We walked through Lvov, a city with a history that has included Poles and Jews, Habsburg governors and Hungarian merchants, but not many contacts with the Middle East. Ilyusha, very much a Lvoviak (he "traded things" for a living, speaking Russian, Polish and Ukrainian along the way), was nevertheless telling me that he had the Middle East – Arabs, Israelis, sand, everything – all worked out.

He had memorised Ha-Tikva, the Israeli national anthem. He had been told of a restaurant that served pork sausage. He knew lots of people – a dozen of his school friends were there already – and that they watched Russian television and read Russian newspapers. Soviet citizens adapted easily, he said. "If they want me to fight, I'll fight. If they want me to become religious, I'll convert. I'll fit in."

He had heard stories of arranged marriages and fake birth certificates ("We can get anybody to Israel if we want to") and told me a joke: "What will be the second language of Israel in 10 years? The answer is Hebrew – because Russian will be the first language." He expected that life in Israel would continue more or less as it had in Lvov except that, in Israel, the telephones would work, the supermarkets would be stocked with food and, if one worked hard, it might be possible to own a flat.

Over the next two years, mutual friends passed on occasional reports of Ilyusha's progress and I heard even more frequent accounts of Israel's Soviet immigrants. Nearly 500,000 Jews have arrived there from the former Soviet Union since August 1989, a huge number for a country of 5m people: imagine 6m émigrés from post-communist Europe arriving suddenly in Britain. Among them were 60,000 doctors, 10,000 musicians, and a proportion of educated people four times larger than that of the existing Jewish population of Israel.

They were welcomed at first with almost messianic enthusiasm. Simcha Dinitz, the chairman of the Jewish Agency (which oversees the immigration process), understood immediately that this wave of immigration might finally make Israel secure in the Middle East: "No longer are we a nation which might disappear, which might be easily pushed into the sea," he said. The Arab world recognised this, too, and did its best to stop the Jews from coming; Dinitz is not alone in citing their failure to halt the immigration as one reason for the decision of the Palestine Liberation Organisation to talk peace.

If, however, the first reaction was enthusiasm, the second was disappointment. Not only was there no immediate cultural renaissance: there were pianists sweeping the streets, nuclear physicists emptying dustbins, top scientists emigrating again upon arrival and others returning home. In 1993, the huge burst of immigration slowed to a trickle; only about 7,000 arrive every month now.

In Israel these days, you hear that the Russians (as they are usually called) have pushed up prostitution, tax and unemployment rates and that nothing is good enough for them; they are never satisfied. One left-wing Israeli told me she had disliked the Russians ever since she heard them calling the Falashas (Jews from Ethiopia) racist names. The Falashas, she said, had at least wanted to come here, whereas everyone knew the Russians just wanted handouts from the state.

An Orthodox woman told me that her community's attempt to integrate some Russian families had failed: they took advantage of what people gave them, complained constantly, and never even pretended to be Jewish.

Perhaps some of these disappointments have been due to a misunderstanding. Whereas their grandparents – like Israel's founders – might have spoken Yiddish and lived in Jewish communities, most Soviet Jews of this generation are Russian-speaking and, if asked, would call themselves Russian. Obsession with classical music, and an almost religious love of lofty literature and heavy novels, are Russian characteristics; so are high expectations from the state and a propensity to complain.

Bringing them, their prejudices and their assumptions to the Middle East is a complicated prospect, more so than either side had expected – like grafting an alien branch onto a tree. Bearing this in mind, I went to see Ilyusha, who now lives in a small flat on the outskirts of Jerusalem.

He opened the door, smiled – then frowned at the bottle I had brought as a gift. "Ah, we don't drink here any more," he said, placing it on the shelf. The climate was wrong and Israeli vodka was expensive and poor quality. "It tastes of peaches," he explained. "I simply got used to doing without it." He had acquired new eating habits, too: avocados cost less than potatoes in Israel while oranges and lemons – non-existent in Russia – were practically free.

It seemed, at first, as if that was the limit of adjustment. Ilyusha spoke Russian to his girlfriend and had few Israeli friends. He still laughed about the number of "Jews" who had arrived in Israel under false pretences and how good the Russians were at beating the Israeli system.

Once again, he told a joke: "What will be the second language of Israel in 10 years? The answer is Hebrew – because Russian will be the first language."

This time, though, when I asked if that really would prove to be true, he stopped laughing. No, he said, it was not true. Contrary to what he and his friends had expected in Lvov, Israel had not adjusted to the Russians; they had been forced to adjust to Israel. Knowing the words to Ha-Tikva had not proved enough.

Learning to cook was part of the change, but learning to work was more important. In Soviet society, money was made informally – on the side, through friends and connections, rather than through an office job. In Israel, though, Ilyusha first learned enough Hebrew to find work as an armed security guard, then as a hotel receptionist. After a while, he saw he could be a receptionist but not a manager, so he signed up to study for a masters' degree in business administration.

This, too, had to be treated differently. University was not something taken seriously in the Soviet Union, where connections helped to gain entry to a degree course and even a medical school degree could be bought. In Israel, degrees matter: many of the "doctors" from the Soviet Union proved, in fact, unqualified by Israeli standards. Ilyusha was studying hard: so hard, in fact, that he no longer saw any of his Lvov friends.

It is often said that the famous Jewish sense of humour disappeared when the Jews moved to Israel. Ilyusha admitted that this might be true, but only because there was less time to think up new jokes. In Lvov, one spent afternoons drinking and talking. In Israel, with 5½-day weeks and constant financial pressure, it was impossible to live the same way.

Much more difficult are political adjustments. In the Soviet Union, the state was to be laughed at, but Israel belongs to another extreme: everyone serves in the army and people feel a loyalty to the state – or, at least, the nation – because of the danger it faces; that loyalty is much stronger than that felt by many west Europeans to their countries.

In the Soviet Union, too, private values ranked higher than public ones: among Russians, it was thought more admirable to love and understand poetry, for example, than merely to obey the law. Some Soviet Jews have responded to the shift in values with snobbery. Israeli literature is inferior to that of Russia, and Israeli television is inferior to Russian, they claim, while all of the nonsense about the army is shallow patriotism, of the sort indulged in by the Russian lower classes.

One Soviet couple told me, with great pride, that their friends had set up special weekend classes to supplement Israeli schools, which did not require children to learn poetry by heart. One wonders if this will last: how long is it possible to recite verses about snowy forests when the landscape outside is dry desert?

Others have moved from snob-

■ Continued on page XIX

CONTENTS

The Long View/**John Plender**

Toujours richesse

With the clearing banks at last reporting increased profits after a protracted recession, it may seem premature to remind people that the party always ends in tears. But this column is not called The Long View for nothing; and it always pays to remember that movements in bank balance sheets have an important influence on the behaviour of the macro-economy. An accurate forecast of the precise way in which the banks will lose billions of other people's money in the course of the present economic cycle could provide important clues to the future rate of inflation and the relative performance of bond markets against equities.

The starting point for this gloomily deterministic exercise – perverse though it sounds – is that bank balance sheets in the English-speaking economies are looking healthier than they have done for years. The efforts of the US Federal Reserve to prevent a credit crunch by encouraging the banks to trade in Treasury paper have been triumphantly successful. Both the capital and profitability of the US banking system have been restored, which is why the Fed was able to raise interest rates earlier this month without trepidation.

In the UK, profits and capital are similarly on the mend, although the means to that end have been different. In American parlance, the banks have simply leveraged the customer base – a euphemism for extracting increased profits from customers when you know that they are unable to go elsewhere. Recent howls of anguish from the small business sector are the sound of bank customers being leveraged. This unique approach to marketing, a variant of Morton's fork, is rooted in the notion that the customer is always wrong in a recession; and it is less stupid than it sounds, for the banker's relationship with the client is essentially monopolistic in an economic downturn and competitive in an upturn.

Consequently the UK banks' operating income has remained strong through the recession. Now the fall in provisions for bad and doubtful debts is having a geared effect on profits. That is, the improvement in bad debt experience causes pre-tax profits to rise disproportionately. This brings us to the central point. The British banks are about to confront an embarrassment of riches: capital and retained profits are set to grow uncontrollably as the recovery progresses.

This might seem counter-intuitive. When bank capital is high, the return on capital employed is lower and the commercial banking system suffers a loss of competitive advantage to the markets. For in the wholesale money markets, securities firms compete with the banks to bring together those with surplus funds and those who are in need of funds; and the markets operate on a much smaller base of capital because they do not have a fiduciary obligation to millions of depositors.

In the retail business, where banks face less competition from securities firms the problem is maturity. Home lending is a busted flush and there are growing doubts about the banks' prospects in life assurance. Moreover, excess profits usually lead to increased competition and then back to lower profits. So why are analysts forecasting a sustained increase in retained profits?

The answer is that in Britain, unlike the US, universal banking is now the norm. A loss of competitive advantage between the banking system and the markets simply means that a bank such as Lloyds, which chose not to buy into a big securities firm, suffers at this point in the cycle relative to Barclays and Natwest which did. Retail business may be mature, but it still generates big profits. As for competition, it works only with a long delay in Britain's heavily concentrated clearing bank system. So Ogden Nash was right after all: bankers are just like everyone else except richer. But how will they respond to their sudden enrichment?

The logical answer would be to return capital to the shareholders in the form of much higher dividends. The long-suffering owners do, after all, deserve it, having put so much capital into the banks over the past 20 years, often to see it either squandered or paid back in dividends, before receiving another call for fresh capital. A high payout policy would lead to a less managerial form of capitalism, in which shareholders would exercise a more powerful veto over grandiose expansion plans.

But while dividends will no doubt rise, they seem unlikely to absorb all the extra profits. Even Lloyds, which has acquired a reputation for looking after shareholders' interests, appears to have lost its appetite for shrinking the business and is on the lookout for acquisitions. While a more conventional dash for growth in lending or other forms of expensive mistake cannot be ruled out, the acquisition trail looks an all too plausible answer to the problems of the sorcerer's apprentices. In the UK the belief that takeovers solve problems rather than create them dies hard.

It would be good news if the banks acquired businesses at a premium over net asset value, the resulting goodwill on acquisition would cause their own capital to shrink. So might any subsequent poor performance by the acquired company. The monetary consequences would thus be less inflationary than with a plunge into property lending or corporate deal making, because shrinking capital constrains the growth of money and credit.

The bad news would be that shareholders were made to suffer because of imprudent acquisitions. The history of bank takeovers prompted by excess capital and high ambition is profoundly discouraging – witness Midland's disastrous acquisition of Crocker in California in the early 1980s and the TSB's acquisition of merchant bankers Hill Samuel in 1987. It is a sad fact that even the best banks have an unimpressive record in running their own businesses. The notion that they can turn themselves into wizards of the takeover game beggars belief. Stand by for more trouble, if only in the long term.

London

Buba leaves the Bank to juggle the rates

Roderick Oram

Waiting for Buba is never one of the markets' favourite past-times. The Bundesbank seems to enjoy dragging out the suspense of a German interest rate shift, springing it on the markets when their attention has turned elsewhere and conditions for a change appear to have gone.

Finally on Thursday, a wearisome 118 days since its last rate cut, the German central bank dropped its discount rate by half a percentage point to 5¼ per cent. Markets across Europe rose on hopes of further reductions by their own monetary authorities but the enthusiasm quickly wore off.

London equity and gilt markets, roused by apparently weak UK economic data earlier in the week, added the Bundesbank's action to their list of reasons why the UK government and Bank of England should ease interest rates again. But by the end of the week the arguments were looking less robust, leaving the Footsie with only a 3.7 point gain on the week at 3,382.6.

On Tuesday, the FT-SE 100 index had reversed a four-day, 76-point slide and gained ground on news that manufacturing output had slipped in December and that the Central Statistics Office had cut its trend growth rate for manufacturing to 1 per cent from 1.5 per cent. The mood was reinforced the next day by a weak rise in the retail price index and an unexpected 15,000 rise in unemployment after four months of falls.

The trouble is that these statistics suffered from weather, public holidays and other seasonal adjustment problems. If the Bank of England was less willing than the government to make the recent UK base rate cut - hence a compromise reduction of of ¼ of a percentage point - then this week's data might not have changed its mind much.

The Bank is having to juggle a number of considerations revolving around sterling's recent weakness, external trade trends and demand for gilts at up-coming auctions. The auction next week is small but foreign investors are a little jittery about gilts after the market turmoil of the past fortnight. Although the superior yield of gilts over German bonds had recovered somewhat from its low point in late January, it has eroded again in recent days, as the chart shows. Although another UK cut soon might be justified by domestic economic considerations, external factors are weighing against it.

Such an argument was used by Nick Knight, Nomura's high-profile market strategist, when he unsettled the equity market on Thursday with his advice to sell into any strength equities exhibit. From the man who made his name as a raging bull when Britain left the ERM, his talk of adverse trends on inflation, the trade deficit, sterling and interest rates was pretty bearish.

Most institutional investors will have to revise their view on equities before they act on such advice. But they are already backing off from putting more money into the market. The latest Smith New Court monthly survey of fund managers' intentions found that cash had a growing attraction to them. For the first time since the survey began in 1990, more of them planned to increase their cash balances than reduce them.

UK investors are still troubled by the aftermath of the Federal Reserve's raising of US interest rates and the last reduction by UK authorities. US investors appear to have adjusted more rapidly to the changed environment. Since the Fed tightened, the return on equities has fallen less than 2 per cent in the US but more than 3 per cent in the UK. Likewise, the bond return is off less than 1 per cent in the US but more than 1 per cent in the UK, points out Goldman Sachs' London strategists Sushil Wadhwani and Musthtaq Shah.

"The on-going correction is unlikely to be very large", not more than 5 per cent, and the medium-term outlook six to 12 months ahead "is good," the believe. Analysing the last four occasions on which US interest rates had bottomed out in the past 22 years, they found that the total return on UK equities was an average of 17.49 per cent six months over the subsequent six months.

They offer four main arguments for equities: they are still under-valued relative to short-term interest rates; they typically outperform bonds when earnings growth is expected to be above-average; US retail investors should continue to increase their equity holdings since intertest rates are still relatively low; European interest rates are still coming down coming down and retail investors are still underweight in equities.

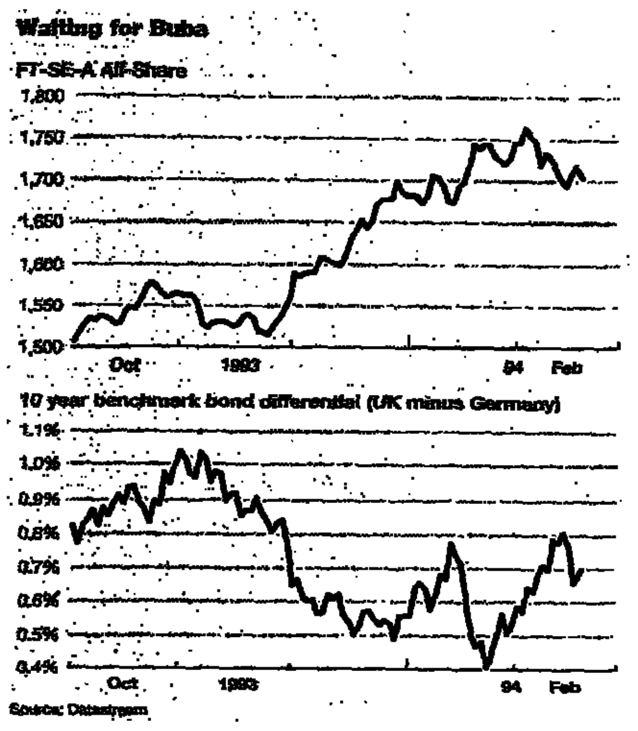
One test of their argument begins in earnest this coming week as the reporting season picks up speed. Earnings and dividend growth has indeed been strong among the early reporters to-date such as Reuters, Lloyds and Glaxo.

But sparkling performances are expected from big international companies such as Glaxo and Reuters, thanks in part to currency factors. The more telling performances will come from among the vast swathe of smaller, more UK-oriented companies.

The sorriest corporate story of the week was Tiphook. It has sold at last its container business but only for £734m, leaving it with a trailer rental business carrying £160m of equipment purchase commitments for which it has no finance, £500m of existing debt and shareholders' funds of £40m.

One man gambling on its recovery is Robert Montague, chief executive. To sweeten a cut in his base pay from £816,000 a year to a mere £200,000, he was given options on 2m shares at 20p, 500,000 at 65p and a bonus of 1 per cent of pre-tax profits. He also got £250,000 from the buyer of the container business for not competing against it in the future. But investors watching for Montague's trailer to come in, loaded high, will have a far more excruciating wait than anybody has had for the Bundesbank.

Waiting for Buba



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993/94 High	1993/94 Low	
FT-SE 100 Index	3382.6	+3.7	3520.3	2737.6	Hopes of further interest rate cuts
FT-SE Mid 250 Index	4025.5	-4.5	4152.8	2876.3	Focus shifts to leaders
Alvis	70	+15	71	17	Buys Unipower
British Aerospace	526	-17	564	165	Airbus loses Saudi order
General Accident	661	+22	757	546	Recovery
Glaxo	679	+40	801	509	Well-received figures
HTV	159	+37	161	19	Flextech deal
Kleinwort Benson	614	-45	693	312	Post-results profit-taking
Lloyds Chemists	350	+20	380	241	Prescription price rise
McAlpine (Alfred)	328	+42	330	96	Good results/strong builders
Pearson	720	+26	735	342	Multi-media potential
Thorn EMI	1129	+44	1153	809	Multi-media bid hopes
Tiphook	53	-11	382	37	Fears for company's future
Wilkes (James)	176	+11	191	44	Bid speculation
Willis Corroon	211	-13	245	171	US selling

Serious Money

Save the saver with a single tax break

Scheherazade Daneshkhu

Private investors need no reminding at the moment of the complexities of the personal tax system. They need to check the new tax codings sent out by the Inland Revenue for 1994/95 to see that they are correct (see page VII) and they now have only a little over a month before the end of the tax year on April 5 to implement tax planning measures.

The choice includes any number of tax-efficient savings and investment schemes, some small, like a tax-exempt special savings account which will pay income gross on a maximum investment of £9,000 over five years, and some potentially large, like personal equity plans. These offer relief from income and capital gains on an investment of up to £9,000 a year, which can be split between two main types of plan – a general and a single company plan.

The choice does not end there if your spare cash is limited. Should you instead increase contributions to your personal pension, subject to the limits, or should you take out an additional voluntary contribution if you are an employee in an occupational scheme?

Deciding which is best depends not only on your personal circumstances; you are likely also to be influenced by the different tax system under which these investments operate. Pension contributions are the most tax-efficient since they are grossed up and invested in a tax-free fund, which is not the case with money put into a Tessa or Pep.

Private investors also have to remember when to make their investment for maximum tax-efficiency. The financial year is not the same as the calendar year; a Pep year used to be a calendar year but is now a financial year while a Tessa year is neither and corresponds instead to the anniversary of the initial investment.

How can we find our way out of this savings mess? Instead of simplifying matters Kenneth Clarke's budget last November if anything has made things worse, as our growing Q&A briefcase postbag testifies. The abolition of CGT indexation, for example, to create or increase losses has been met with bemusement by some readers and incredulity by others.

The Institute for Fiscal Studies this week urged reform of the taxation of savings, arguing that the current regime satisfies none of the requirements for "neutrality, fairness and transparency."*

While arguments about how the tax system might be simplified are endless, one of the Institute's recommendations, that Peps and Tessa should be swept up into a single tax free plan, has merit. After all, if savers are being given tax breaks of a similar nature, why not give an allowance for tax-free savings and leave it up to the individual to decide which investments to use it for?

The IFS suggests that savings could be invested in a range of financial assets, from shares and securities to futures and options in the new extended plan, which it names Expep.

No tax relief would be given for amounts put in the Expep but income and capital gains would be tax-free and (unlike a Tessa), withdrawals could be made at any time. It suggests setting the annual limit at £12,000 to be roughly in line with an amalgamation of the current Pep and Tessa annual allowances.

Part of the attraction of a tax-free allowance idea is that attempts by the government to channel private investors' money into areas it wishes to develop have not been too successful. Tessas were meant to encourage small savers but anecdotal evidence suggests that little of the Tessa money has been new; instead, those with building society savings have simply transferred them into a Tessa to make use of the tax break.

The Business Expansion Scheme, which was abolished at the end of December, was meant to encourage investment in growing businesses but it only became successful after the government allowed it to be used to increase the supply of private rented accommodation. Sponsors developed loan-back schemes so lucrative that they were banned overnight by Norman Lamont in his March 1993 budget.

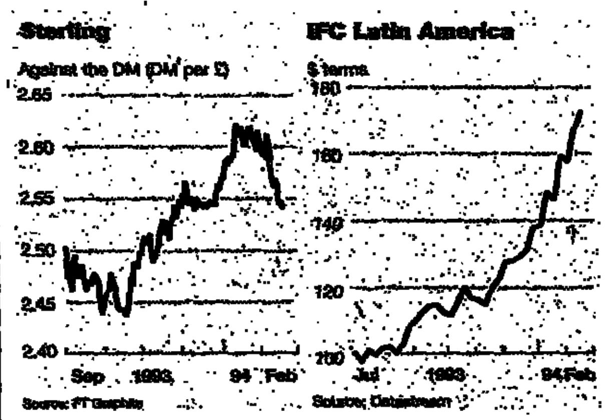
Some BES schemes still remain controversial. Investors in Johnson Fry's Mortgage Express Super Growth BES (which is not a loan-back scheme) are awaiting the outcome of a dispute between the company and the Inland Revenue over the timing of tax relief, which will affect the level of returns to investors.

Enterprise Zone Trusts, potentially the largest tax break of all, received a blow this week when the House of Lords rejected an appeal by Matrix Securities, investment advisers, against the Inland Revenue for refusing to grant clearance to its docklands scheme. In this case, investors' cheques have already been returned but some investors in the BES and EZT have been attracted by the size of the tax breaks and have not fully appreciated the risks.

There is certainly an argument then, for protecting investors by consolidating tax breaks into one allowance, since these elaborate schemes often seem to benefit City promoters more than investors. That would also have the virtue of simplifying the personal savings tax system.

**Setting Savings Free, a summary of the Final Report of the IFS Capital Taxes Group, IFS, 7 Ridgemount Street, London WC1E 7AE, £10.*

AT A GLANCE



Rate cuts undermine Sterling's rise

Sterling's rise from a low of DM2.43 in mid-October to a high of DM2.6250 in mid-January was driven by a gathering consensus that the UK was enjoying an economic recovery. The trigger for the recent correction was the 25 basis points cut in UK interest rates announced last week. The move was not well received in the market which queried the economic justification and worried about possible political motivation. The Bundesbank's half point cut in its discount lending rate on Thursday, has not helped sterling. The market appears to take the view that UK rate cuts are more likely in the short term than German cuts.

Latin American markets draw the investors

International investors moving money out of Asia and looking for new, more profitable destinations have been pushing up Latin American stock markets. There has been a 20 per cent rise in dollar terms since the start of the year, following strong performance in 1993. The region still has economic problems, but the North American Free Trade Agreement is expected to have a beneficial effect.

Three new UK investment trusts specialising in Latin America will shortly be adding to the flow of funds to the region. The launches of Edinburgh Fund Manager's Inca trust, Templeton's Latin American trust, and Morgan Grenfell's Latin American trust have all been announced within the last two weeks. Public offers for the funds open in March or April.

Trustworthy information

The Association of Unit Trusts and Investment Funds, the trade body for the unit trust industry, has launched a unit trust information service aimed at first-time investors. Autif has prepared information packs containing booklets on how unit trusts work, how to choose and use a unit trust, and a directory of all the trusts managed by Autif members.

For a free copy, call Autif on 081-207-1361, between 8am and 11pm, seven days a week, or write to: The Unit Trust Information Service, 65 Kingsway, London, WC2B 6TD. Further publications are planned in the next few months, including fact sheets on aspects of unit trusts, aimed at experienced investors.

A plain guide to your taxes

The 1994/95 Money, Pensions and Tax Guide is a new publication from the Taxation Advice Bureau, which explains in plain English all the most important points of personal finance and taxation, including a step-by-step guide to completing the annual tax return. The paperback costs £10.95, and is available from bookshops, or from the Taxation Advice Bureau, Glen House, 200-208 Tottenham Court Road, London, W1P 9LA (no charge for postage and packing).

Smaller companies slip further

Smaller company shares slipped for the second week. The Hoare Govett Smaller Companies Index (capital gains version) dropped 0.3 per cent to 1878.98 over the week to February 17.

Wall Street

New York feels the Fed's icy breath

Like New York city, which is struggling to clear up the mess left by last week's heavy snowstorms, the stock market is still coping with the aftermath of the wintry blast of cold air the Federal Reserve sent Wall Street's way on February 4, when it raised interest rates for the first time in five years.

The two weeks that have passed since the Fed's move have been dominated by a mood of nervous optimism. Share prices have been rising, but not in a straight line. The stock market is walking forward, but constantly glancing over its shoulder, fearful that the Fed will creep up on it again with another sneakily-timed policy tightening.

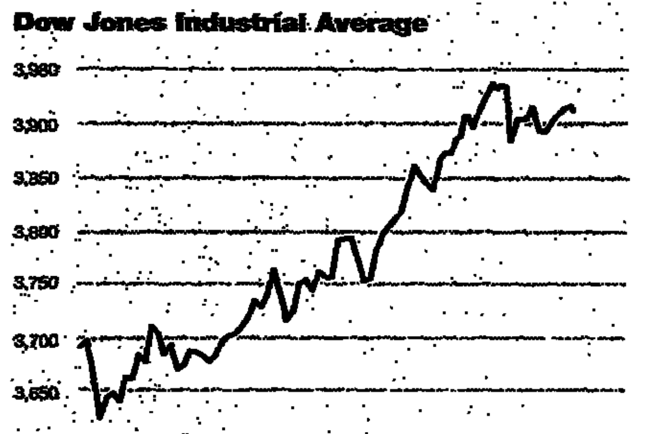
Take this week. The Dow Jones Industrial Average rose 33 points in the first three trading days, a solid enough performance. The upward momentum was maintained early on Thursday when prices rose following the release of a positive set of consumer prices data, data which appeared to suggest inflation remains essentially dormant despite the rapidly-expanding economy.

Then suddenly, prices turned tail after lunch. The retreat was prompted by a big sell-off in the bond market, which had decided to ignore the bullish news in the morning's January consumer prices numbers and react instead – somewhat improbably – to the Philadelphia Federal Reserve's report on the monthly outlook for local business.

I say improbably because normally, the Philly Fed's monthly forecast does not move markets. This time it did, because hidden in the data was a worrying sign that prices in the Philadelphia region are rising on the back of a strong manufacturing sector. Because this is seen as a leading indicator of consumer prices, as opposed to the CPI data which was a lagging inflation indicator, the bond market sat up and took notice.

Fearing that the rise in prices in Philadelphia presaged a similar movement nationwide – and that the Fed in Washington would reach a similar conclusion – bond market investors headed for the hills, turning what had been a handsome morning rally into a frightening afternoon rout. By mid-afternoon, the benchmark 30-year bond had fallen so far that its yield had risen above 6.5 per cent for the first time since August 1993.

Dow Jones Industrial Average



Nervy stock market investors rapidly followed the bond market's lead, and the Dow slid from a 19-point gain to a 30-point loss within less than an hour (although it recovered some ground before the close). Like the bond market, the stock market plunged because investors were afraid the Fed would raise rates again in a second pre-emptive move against inflation.

Everyone has good reason to be nervous about another rate increase. The first, two weeks ago, was unpleasant but was eventually digested without too much trouble because it was only a small upward move – a quarter of a percentage point on the bank overnight borrowing rate. Investors were also, ultimately, able to shrug it off because one policy tightening in itself is not that disturbing. Two policy tightenings, especially if they were to happen within a few weeks of each other, is another matter. A trend would be established.

Investors are understandably nervous at the prospect of another interest rate increase. Stock and bond markets have enjoyed an unprecedented period of prosperity over the past three years because interest rates were falling to – and staying at – the lowest levels seen in 30 years. Several consecutive policy tightenings by the Fed in early 1994, however, would clearly signal the end of the low interest rate cycle.

Yet, as many analysts pointed out on February 4 when rates first went up, it was always unlikely that the Fed would stop at just one policy tightening. The newspapers lately have been full of pundits saying that the February 4 rate rise was the first step in a two-, or even three-stage, process.

So why all the fuss about the prospect of another rate increase? One possible answer is that market sentiment may have been more badly damaged by the Fed's first tightening than was realised at the time. A second is that people are alarmed by the rapid rise in bond market yields, which have jumped above 6.5 per cent faster than anyone expected. Analysts warn that the break above 6.5 per cent will have a big psychological effect on the bond market, making it more likely that yields will keep on rising toward the next landmark – 6.75 per cent.

The 30-year bond was yielding 5.7 per cent only as recently as October. Another 20 basis points higher, and bond yields will have jumped a full percentage point in little more than five months. No wonder the stock market is nervous.

Patrick Harverson

Monday	3904.06 +	09.28
Tuesday	3928.27 +	24.21
Wednesday	3937.27 +	09.00
Thursday	3922.64 –	14.63
Friday		

Bottom Line

Sir Richard sets his target

What a week for Sir Richard Sykes. On Tuesday the chief executive of Glaxo, Europe's biggest drugs company, went to Buckingham Palace to be invested as a knight of the realm.

On Wednesday, he was named chairman of the company's executive committee, a privilege denied his predecessor, Ernest Mario. The executive committee runs the company on a day to day basis and has until now been controlled by Sir Paul Girolami, Glaxo's chairman since 1985.

And on Thursday, Sir Richard announced six month results better than any City analyst had forecast. Glaxo broke the £1bn pre-tax profits barrier for the first time for a half year, raised the dividend by 29 per cent to 9p and saw the shares gain 22p on the day.

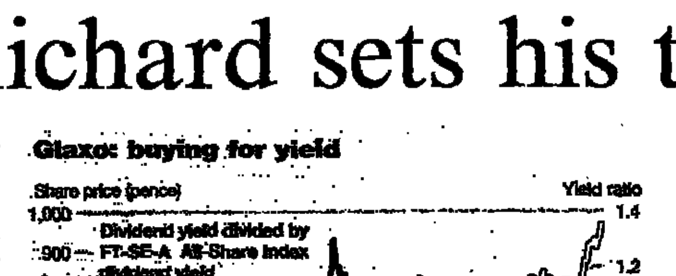
Sir Richard took it in his stride. His slight physique belies his evident stamina. He presents a determined, enthusiastic and approachable personality, and has kept his Yorkshire accent. The company he runs, on the other hand, is an almost frightening combination of size and power.

It is the second biggest in the UK by market capitalisation. It makes the world's biggest selling drug, Zantac, an ulcer treatment, which saw six month sales grow by 5 per cent to more than £1.2bn.

Coming up behind Zantac are two of the most promising drugs in any company's portfolio. Imigran is a migraine treatment that does not have any competitors. First half sales grew from £35m a year ago to £113m. Zofran is used to control nausea in cancer patients and those who have just had an operation. Six month sales grew 17 per cent to £207m, and work continues on new applications for the drug such as in Alzheimer's disease.

The bottom line is that it took less than four years for Glaxo to move from making £1bn pre-tax profit in a year to £1bn in six months. If product strength is anything to go by, there is little to stop that growth continuing.

Glaxo: buying for yield



And yet the shares have not been popular for many months. In parallel with the rest of the pharmaceuticals sector, investors have been selling and the price has underperformed the market dramatically.

As a result, what was once the darling of the capital growth investor has become a buy on the basis of its four per cent-plus yield.

What the capital growth investors fear is that one day the gravy train will hit the buffers of international healthcare reforms. The signs are there. Behind the spectacular headline figures, some markets are in trouble.

Zantac sales in Germany fell by 21 per cent as healthcare reforms cut doctors' prescribing powers. Sales in Italy (state contributions to the cost of drugs are being reformed) fell by 6 per cent.

And in the UK, sales fell 9 per cent, partly because the UK government last year cut drug prices by an average of 2.5 per cent.

Sir Richard says the sales falls are just hiccups, not symptoms of a creeping disease. The German and Italian markets are already beginning to "turn around", he says, and the upward slope in sales and profits will reappear, although perhaps not as steep as it used to be. He may be right on Europe. But it is likely that healthcare reform in the US will provide the key to the company's fortunes.

Glaxo does 47 per cent of its business in North America, up from 42 per cent a year ago. It is an increasing dependence that comes as healthcare costs are under scrutiny by the Clinton administration.

Changes already under way include a switch to "managed health care" in which providers of healthcare agree to look after the ailments of a group of people in return for a fee.

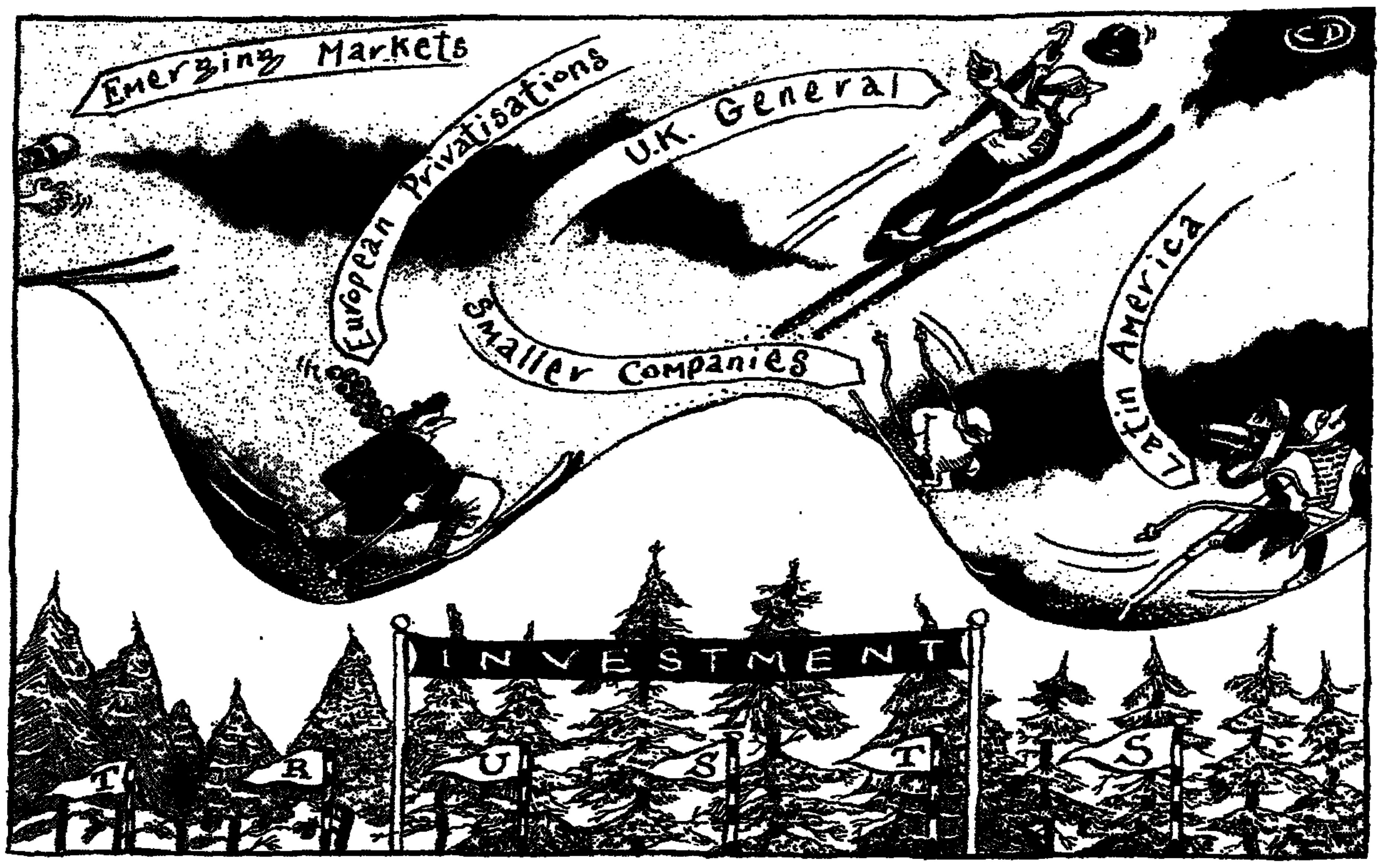
The key to winning in this market may be to create alliances that can offer a broad range of medical services. Last year, Merck, the biggest US drugs company, set the pace by buying Medco, one of its biggest customers.

Glaxo knows it must respond by creating a "matrix" of alliances. This could include other drugs companies and distributors. Sir Richard wants to build his matrix by the end of the year. He may have another triumphant week next year, if he meets that target.

Daniel Green

Soaring investment trusts set record pace

*New and existing issues jostle for business – but is this a good time to buy? **Bethan Hutton** investigates*



Investment trusts are more popular now than they have been for decades. New launches in the first quarter of this year could well raise more than in the whole of last year, which was record-breaking as well. And existing trusts are attracting unprecedented investor interest because of lower interest rates.

The price of investment trust shares fluctuates according to market demand, rather than the value of their assets. If a trust is out of favour, you could buy the shares at a substantial discount to the value of its assets. If the trust is very popular, you might have to pay a premium.

Just how big a comeback the investment trust sector has made is shown by the fact that the average investment trust discount to net asset value was at its narrowest for more than 20 years last month. But a flood of new issues, and the stock market response to the recent US rate cut, has started to reverse the tide since. Discounts actually widened slightly last week.

This is a timely reminder to investors that a narrowing discount is not a one-way process: if the market turns bearish, premiums can turn into discounts, and small discounts can become yawning gaps of 20 or 30 per cent – making a severe dent in your profits when you want to sell.

■ **Existing trusts**

Now that investment trust discounts are at historically narrow levels, one of the old arguments for buying investment trusts has been eliminated: that they provided an opportunity to acquire undervalued assets cheaply. If that is no longer true, is this generally a bad time to buy investment trusts?

According to the experts – not necessarily. Value has not disappeared from the sector: you might just need to look harder for it. Philip Middleton, an investment trust analyst at Smith New Court, says: "At the moment, there are some perfectly decent international generalists which you can buy on quite acceptable discounts." He mentions Scottish Eastern, Witan, and Kleinwort Overseas as trusts in this category. Some Far Eastern funds are looking attractive, too.

The fact that a trust is at a premium does not always mean you should avoid it, says Brian Tora, of stockbroker Greig Middleton. Several of the funds recommended by his firm are at a premium, including Fidelity European Values, and Perpetual Japanese. This is because the managers are respected and have a track record which can justify paying a premium. Management experience and performance is what to look for.

But David Harris, of Chantrey Financial Services, says investors should know they are taking a greater risk by buying at present levels. He advises them to look at unit trusts in the same sector before buying shares in an existing investment trust at a premium – particularly if they are run by the same manager. The unit trust could be a more cost-effective option, Harris adds.

■ *New issues*

Conversely, the narrowing discount improves the case for buying new investment trust issues. It used to be that new issues were a bad deal: you had to pay the full asset value plus the issue expenses. But, by buying shares in an existing trust, you could get the same assets at a 15 per cent discount. Now, new issues can be better value.

Middleton warns, however, that even when a trust is expected to be popular, you should not subscribe with the intention of "stagging" it – selling immediately for a profit, as many people did with privatisation shares, which were priced cheaply.

Investment trust issues cannot be underpriced, as they have no assets to start with. Even the recent Kleinwort European Privatisation investment trust, which was oversubscribed heavily, went to only a 2 per cent premium on its first day. Issues should be judged on their medium to long-term prospects.

Harris says careful choice is necessary because of the many issues and it might be more sensible for small investors to go for big names in fund management, with a track record in their area, rather than unknown management groups.

C-share (conversion share) issues, where existing trusts raise new share capital, also can offer better value than ordinary shares in the same trust. C-share issues under way now include Templeton Emerging Markets, Fleming Japanese, and Abtrust New Dawn.

■ **What about warrants?**

The majority of the new investment trusts being launched now are offering subscribers to the public offer "free" warrants, one for every five ordinary shares. A warrant gives you the right (but not the obligation) to buy shares in the trust at a fixed price at some date or dates in the future.

Warrants are traded separately from ordinary shares. They are highly-geared, speculative instruments which can deliver huge capital gains if the trust's share price rises above the warrant's exercise price. But if the trust flops, they become worthless.

Many private investors who normally would never trade in warrants can find themselves holding them because of a public offer. The question then arises of what to do with them. It can be tempting to sell them quickly but advisers say this is not always the most sensible option.

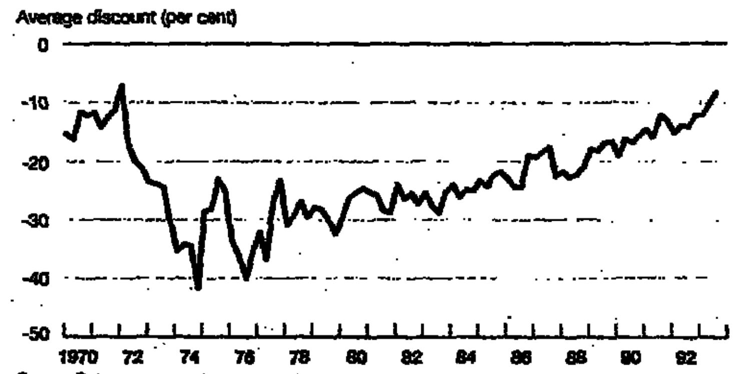
Middleton argues that the term "free warrants" is a misnomer: investors have paid for them as part of the package of ordinary shares. "You should not just regard them as some bit of frivolity that has been thrown in for nothing. Generally, you should hang on to them," he says. After the trust has been running for a few years, you can decide whether to sell or exercise them.

Tora feels that the best course is to keep warrants, perhaps tucked away in an envelope labelled "round the world trip 2003." Alternatively, you could put them in a child's portfolio, where capital growth is more important than income. But you should not forget about them altogether – warrants do have fixed expiry dates.

Harris says that investors not prepared to take the longer view could sell the warrants immediately and look on the proceeds as a discount on the ordinary shares.

Investment Trusts

Average discount (per cent)



Source: Datastream

FINANCE AND THE FAMILY

Worry over Crest plans

While professional investors await eagerly the arrival of Crest, a settlements system that does away with paper for securities trading, its advent early in 1996 is worrying many retail investors.

The Bank of England, which is controlling Crest while it is being assembled, released a progress report this week outlining some of the changes individual investors can expect.

Under Crest, the existing 14-day settlement gap will be condensed into a five-day rolling period. This will change the way private investors handle their dealings and alter their relationships with their stockbrokers, the report suggests.

It acknowledges that private clients may well have to use nominee companies if they cannot hold paper share certificates and if they are to settle all transactions so much more quickly. But moves are being made to smooth the transition.

The Securities and Futures Authority, the self-regulating body which covers private client stockbrokers, is seeking new laws to bring so-called nominee companies under the Financial Services Act. Such laws would require all companies to seek authorisation from a regulatory body. Should a company become insolvent, and if assets of clients disappeared, they could claim under the Investors Compensation Scheme – a crucial point.

The Bank also is searching for ways to ease the anxiety for private investors. Those who do not wish to keep their shares in a nominee company may be cheered by a proposal to introduce "sponsored membership." This would allow individuals to become members of Crest – and have their trades settled through it – without having to buy such infrastructure as computer systems or place their shares in a nominee company.

A sponsored member would have to arrange credit facilities to cover stock purchases and sign a contract with Crest, as well as authorising another member to give instructions to the system on his behalf. Private clients could designate their broker as their intermediary, although the Bank warns that investors would "be exposed to risk if their agent should act in error or improperly."

Meanwhile, another initiative is on the way. This comes from ProShare, a group which promotes individual share ownership, and is aimed particularly at investors who enjoy their direct relationship with the companies in which they invest.

ProShare is urging a voluntary agreement under which the listed company could extend the rights of company ownership to the customers of nominees. This would need to be matched by nominees passing – with their clients' consent – relevant details about customers to the registrars. ProShare hopes to settle all details by May.

Whatever happens, both the Bank and the Association of Private Client Investment Managers and Stockbrokers say it is inevitable there will be changes in the way private investors deal.

The move to five-day rolling settlement means that unless clients shift their shares to the account of a nominee, there will be practical difficulties in delivering either cash or shares to their broker in time. Geoffrey Turner, chief executive of APCIMS, Turner says it is likely brokers will have to re-write completely the letters of agreement they have on file for each client.

The Bank says private clients appear already to have difficulty making payments within five days of buying stock. In a recent survey, the Stock Exchange found that 30 per cent of all deals made six days before the settlement deadline were not paid on time, and that the majority of these were those of small private investors.

Turner believes that intra-account trading almost certainly is a thing of the past. While some clients manage to buy and sell a stock within the present 14-day settlement period, this will become almost impossible under the five-day system. "No one has said intra-account trading is banned but, as a practical matter, it will be very difficult," he says.

All told, the advent of Crest undoubtedly will change the way private clients invest their assets. How smoothly the transition to the new arrangements is made would seem to depend as much on the diligence of the client as on the efficacy of the broker.

Norma Cohen

The Week Ahead

ICI is expected to reveal doubled profits of around £300m for 1993 before exceptional charges when it reports full year results on Thursday.

The figures will have benefited from cost-cutting and some improvement in its UK and US markets but ICI is likely to report that continental Europe remains very difficult. Total dividends should be held at 27.5p though uncovered by earnings.

Full-year figures from the Anglo-Dutch giant Unilever are due on Tuesday with estimated profits ranging from £2.25bn pre-tax to £2.325bn, against £2.029bn previously. Trading has been tough in Europe, mixed in the US and strong in Asia-Pacific. There may be big rationalisation charges, partly offset by gains on disposals. Full-year results from SmithKline Beecham, the Anglo-American drugs group, also due on Tuesday, are unlikely to be as spectacular as Glaxo's. Pre-tax profits should be close to £1.2bn (£1.047bn) and the full year dividend is likely to increase from 8.76p last time to at least 10.5p.

On Wednesday National Westminster Bank becomes the second large high street bank to disclose its 1993 figures, and is expected to report a pre-tax profit of between £950m and just over £1bn, compared with £398m in 1992.

Bad debt provisions are expected to fall substantially, but operating profits are not thought to have grown strongly. The dividend rise is likely to be smaller than those at Lloyds and TSB Group because of NatWest's weaker capital ratios.

A year ago BAe reported the biggest annual loss in UK corporate history – the £1.2bn pre-tax loss included exceptional costs of £1bn. On Wednesday the group is expected to report a reduced full year loss of about £200m after £250m of exceptionals.

On the same day British Gas is due to report full year pre-exceptional profits of between £900m and £1bn together with substantial staff redundancy and restructuring provisions. Meanwhile three UK composite insurers reporting results for 1993 next week are all expected to be comfortably back in the black, after three years of difficult trading conditions.

Guardian Royal Exchange starts the ball rolling on Tuesday with its pre-tax profits expected to be between £135m and £170m, before investment gains are included. That compares to profits of £3m in 1992 – again before investment gains.

Commercial Union, the most successful of the UK composites in recent years, is expected to post profits of between £179m and £213m when it reports on Wednesday compared with £24m last time.

Finally on Thursday Royal Insurance is expected to register profits of between £120m and £160m against a £27m loss in 1992.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Astra AB	Phrm	Friday	-	-	-
Baillie Gifford Shin Nippon	InTr	Friday	-	-	-
British Aerospace	Eng	Wednesday	3.0	4.0	3.3
British Gas	GsDi	Thursday	6.4	7.8	6.4
Capital & Counties	Fxd	Wednesday	5.0	5.0	-
City Merchants High Yield Tst	InTr	Monday	1.3	1.7	2.0
Commercial Union	Ins	Wednesday	9.25	15.1	15.1
Coventry Building Society	Fxd	Monday	-	-	-
Dunedin Inc Growth Inv Trust	*InTr*	*Wednesday*	*8.4*	*17.0*	*8.75*
Edinburgh Oil & Gas	OilE	Thursday	-	-	-
European Smaller Co's	InTr	Thursday	-	1.55	-
F & C Enterprise Trust	InTr	Wednesday	-	-	-
Fairway	PP&P	Wednesday	1.0	2.15	1.1
Govett	OtFn	Monday	-	-	-
Grafton Group	BdMa	Monday	-	-	-
Grosvenor Development Capital	InTr	Monday	-	-	-
GRE	Ins	Tuesday	2.5	4.5	2.65
Horace Small Apparel	Text	Friday	1.0	2.0	1.0
Korea Liberalisation Fund	InCo	Monday	-	-	-
Lombard North Central	Prf	Wednesday	-	-	-
London Finance & Investment	OtFn	Thursday	-	0.4	-
Low & Bonar	PP&P	Monday	2.7	6.4	2.9
Merlin Intl Green Inv Trust	InTr	Thursday	1.0	1.1	1.7
National Westminster Bank	Bank	Wednesday	6.125	11.375	6.4
Norsk Hydro (UK)	Oil	Monday	-	-	-
Oriental Smaller Co's Inv Tst	OtInv	Wednesday	-	-	-
Porvair	Chem	Wednesday	1.2	2.4	1.4
Provident Financial	OtFn	Thursday	9.25	19.25	4.75
Regina	ReFd	Tuesday	-	-	-
Royal Dutch	Oil	Thursday	-	-	-
Royal Insurance	Ins	Thursday	2.0	3.0	2.5
SKF	Eng	Wednesday	-	-	-
Sedgwick Group	*Ins*	*Tuesday*	*3.0*	*3.0*	*3.0*
Serif	PP&P	Wednesday	-	-	-
Shell Transport & Trading	Oil	Thursday	9.3	12.6	10.2
Shires High-Yld Smaller Co's	InTr	Tuesday	4.2	5.9	4.2
Skipton Building Society	n/a	Thursday	-	-	-
Smithkline Beecham	Phrm	Tuesday	2.075	-	2.533
Telegraph	Med	Thursday	4.5	-	5.5
Temple Bar Investment Trust	InTr	Tuesday	4.5	8.75	4.6
TR High Income Trust	InTr	Wednesday	1.2	-	1.5
Transatlantic Holdings	LlAs	Wednesday	6.0	6.0	6.0
Unilever	FdMa	Monday	5.2	16.13	6.08
INTERIM DIVIDENDS					
Alliance Resources	OilE	Wednesday	-	-	-
Amer Group	Dvln‡‡	Tuesday	-	-	-
Ashtead	B&C	Monday	1.133	3.405	-
Bellwinch	B&C	Tuesday	-	-	-
Community Hospitals	H&C	Tuesday	2.4	4.5	-
Conrad	Text	Monday	-	-	-
Eaglet Investment Trust	InTr	Tuesday	-	-	-
Eleco Holdings	Prop	Thursday	-	-	-
Essex Furniture	ReGn	Monday	1.5	2.0	-
F & C Special Utilities Inv	InTr	Friday	-	-	-
Fil	Text	Monday	6.0	8.75	-
Fletcher Challenge	Dvln	Wednesday	-	-	-
Flogas	GsDi	Thursday	-	-	-
Gartmore Shared Equity Trust	InTr	Wednesday	-	-	-
Gartmore Value Investments	InTr‡‡	Wednesday	0.952	-	-
Gencor	Exln	Wednesday	-	-	-
Goodwin	Eng	Friday	-	0.655	-
Haggas (John)	Text	Tuesday	1.0	2.0	-
Henderson Eurotrust	InTr	Tuesday	1.5	1.7	-
Honeysuckle Group	Text	Friday	0.75	1.5	-
ICI	Chem	Thursday	10.5	-	-
Isotron	Hlth	Friday	1.51	2.83	-
Johnson Fry Utilities Trust	InTr	Monday	1.6	-	-
London Industrial	Hlth‡‡	Monday	-	-	-
Macro 4	SpSv	Tuesday	6.27	11.48	-
Middle Witwatersrand	Exln	Thursday	-	-	-
North American Gas Inv Trust	OtFn	Tuesday	-	-	-
Pacific Horizon Inv Trust	InTr	Wednesday	-	-	-
Pifco	Elec	Tuesday	3.5	4.75	-
Quayle Munro	OtFn	Thursday	3.0	3.0	-
Regent Inns	Brew	Thursday	-	2.25	-
River & Mercantile Smaller Co	InTr	Tuesday	1.25	2.75	-
Stewart & Wight	Prop	Tuesday	-	135.0	-
TNT	Tran	Thursday	-	-	-
Thorn EMI	L&H‡‡	Tuesday	9.0	23.0	9.0
Throgmorton Dual Trust	InTr	Thursday	-	-	-
Tottenham Hotspur	L&H	Wednesday	-	2.0	-
Towry Law	OtFn	Wednesday	-	-	-
Usher (Frank)	Text	Friday	2.5	3.5	-
Wills	Dist	Monday	0.1	0.3	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 3rd Quarter figures. ★ 1st Quarter figures.

New issues

Investors will have yet another chance to buy shares in a nursing home group when Goldsborough Healthcare comes to the stock market on Thursday with a flotation valuing it at £74.5m. This is slightly different from the purer plays in the sector as it combines 26 care homes – of which four are residential, not nursing, homes – with acute hospitals, Goldsborough has two plus a half share in a third, and a home care division which provides nurses to clients in their own homes.

There is great interest in this industry just now. Following 1993's Community Care Act, the roles of purchaser and provider have been separated, allowing the private sector to expand. Goldsborough claims its range of activities give it strength, although the bulk of profits still come from the care homes which produce higher margins but, in the expansion phase, consume more cash than they produce.

One concern about Goldsborough is that it is coming to market with net debt of £7.8m, and gearing of 15.4 per cent, in spite of raising £29m of new money. The other £33.3m being raised in the float is going to existing shareholders – mainly Kunick, the gaming machine group – which are selling.

That leaves Goldsborough at something of a disadvantage to other companies, which have arrived on the market with net cash. And given that it is only seventh in the pecking order of care home operators, investors may prefer to stick to one of the larger groups, even if their shares are rated more highly.

At the 170p offer price, the shares are on a prospective p/e of 14.8 on a forecast of £6.55m pre-tax on a pro forma basis.

Sponsor to the issue is S.G. Warburg and the broker is S.G. Warburg Securities.

Maggie Urry

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Baldwin	L&H	Oct	2,830	(1,330)	10.1	(3.0)	3.5	(3.0)
Baring Tribune Inv	InTr	Dec†	417.9	(318.7)	0.38	(7.12)	6.6	(6.45)
British Petroleum	Oil	Dec	896,000	(352,000L)	11.3	(-)	8.4	(10.5)
Burford	Prop	Dec	5,930	(53)	3.42	(-)	1.4	(1.19)
Burlington	OtFn	Dec	210	(171)	1.3	(1.01)	0.6	(0.5)
Cheltenham & Glcstr	n/a	Dec	302,000	(130,000)	26.4♦	(22.1♦)	-	(-)
Drayton Far East Tst	InTr	Dec†	107.3	(164.8)	1.05	(0.94)	0.675	(0.625)
English & O'seas Prop	Prop	Dec	312	(707 L)	1.11	(-)	0.5	(-)
Finsbury Smaller Co's	InTr	Dec†	171.4	(116.7)	3.2	(3.0)	3.2	(3.0)
Fleming Claverhouse	InTr	Dec†	238.3	(189.0)	6.53	(5.54)	5.5	(5.35)
Fleming Fledgling Inv	InTr	Dec†	392.6	(288.4)	1.94	(3.74)	3.0	(3.0)
Flying Flowers	ReGn	Dec	1,100	(533)	5.19	(3.06)	1.08	(-)
French Property Trust	InTr	Dec†	87.34	(73.29)	1.79	(1.51)	1.4	(2.3)
GTI Corp	n/a	Dec‡§	13,200	(9,030)	1.32	(0.93)	-	(-)
Gartmore Emerging Pac	InTr	Dec†	191.7	(81.5)	0.44	(0.3)	0.17	(0.15)
General Cons Inv Tst	InTr	Dec†	290.0	(182.4)	9.48	(9.56)	8.71	(9.37)
Grahams Rintoul Inv	InTr	Dec†	170.9	(85.5)	-	(-)	0.25	(-)
Hotspur Investments	InTr	Dec†	482.5	(354.7)	10.29	(8.8)	7.5	(8.6)
Inoco	Prop	Dec	2,580	(4,470 L)	1.21	(-)	-	(-)
Java Trust	n/a	Dec†	61.39	(32.88)	-	(-)	-	(-)
Kleinwort Benson	MrBk	Dec	111,700	(45,100)	56.4	(26.0)	18.5	(16.0)
Kleinwort O'seas Inv	InTr	Dec†	292.08	(224.64)	3.84	(3.54)	3.4	(3.3)
Lloyds Abbey Life	LlAs	Dec	323,600	(297,600)	31.1	(28.0)	18.0	(17.3)
Lloyds Bank	Bank	Dec	1.03bn	(801,000)	47.4	(35.0)	22.1	(18.4)
McAlpine (Alfred)	B&C	Oct	1,170	(3,380)	9.6	(7.3)	6.5	(6.5)
Mersey Docks	Tran	Dec	20,900	(15,200)	19.96	(15.05)	9.0	(7.5)
National & Provincial	n/a	Dec	121,000	(80,100)	-	(-)	-	(-)
Owners Abroad	Leis	Oct	5,800	(25,500)	-	(9.2)	3.5	(3.5)
P & P	SpSv	Nov	4,100	(7,870 L)	4.3	(-)	2.0	(1.4)
Ramsdens (Harry)	Leis	Oct	815	(606)	7.2	(6.4)	4.5	(4.5)
Reuters	Med	Dec	440,000	(383,000)	72.0	(56.0)	26.0	(21.2)
St. Modwen Properties	Prop	Nov	3,500	(1,710)	2.2	(1.1)	1.0	(0.6)
Scottish American Inv	InTr	Dec†	188.3	(152.2)	4.61	(4.73)	4.83	(4.35)
Seacon Holdings	Tran	Sep	1,720	(2,280)	11.5	(15.9)	5.7	(5.1)
Second Market Inv	*InTr*	*Dec†*	*482.1*	*(310.0)*	*6.17*	*(8.13)*	*4.3*	*(4.3)*
TR Pacific Inv Trust	InTr	Dec†	242.4	(114.6)	0.709	(0.731)	0.35	(0.35)
Throgmorton Trust	InTr	Nov†	79.9	(57.8)	2.4	(2.35)	2.3	(2.3)
Trencherwood	Prop	Oct	1,800	(21,400 L)	3.45	(-)	-	(-)
Trust of Property Shs	InTr	Dec†	106.82	(57.14)	1.612	(1.529)	1.5785	(1.503)
Tullow Oil	OE&P	Dec‡‡	1,660	(113 L)	0.73	(1.12)	-	(-)
Union Discount	OtFn	Dec	4,500	(16,000 L)	11.5	(-)	3.0	(-)
Updown Investment	InTr	Sept	705.13	(531.1)	16.03	(14.82)	13.0	(12.5)
US Smaller Co's Inv	InTr	Dec†	158.6	(137.8)	0.4	(0.09)	-	(-)
Vardon	L&H	Dec	5,130	(2,160)	5.6	(9.5)	1.125	(0.75)
Waste Management Intl§	OtSv	Dec	150,900	(143,700)	26.5	(23.3)	-	(-)
Wickes	BdMa	Dec	17,800	(3,460)	4.2	(0.8)	1.0	(-)
Wise (Leslie)	Text	Nov	2,470	(2,520)	4.74	(4.96)	4.0	(4.0)
Yeoman Investment Tst	InTr	Dec†	507.5	(342.7)	13.8	(11.28)	13.4	(13.6)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alumasc	BdMa	Dec	4,410	(3,770)	2.05	(1.85)
Amstrad	Elec	Dec	1,750	(5,610)	0.2	(0.2)
Armitage Brothers	FdMa	Dec§§	810	(715)	2.7	(2.6)
Armour Trust	Dvln	Oct	916	(830)	-0.36	(0.3465)
Benson Group	EngV	Nov	65	(817)	0.1	(0.1)
Betacom	Elec	Dec	103	(350)	-	(-)
Birse Group	B&C	Oct	1,400 L	(2,710 L)	-	(-)
Black (Peter)	Text	Dec	7,010	(5,730)	1.12	(0.93)
BOC	Chem	Dec‡	8,900 L	(90,600)	-	(-)
British Airways	Tran	Dec★	65,000	(20,000)	-	(-)
British Telecom	Tele	Dec‡	698,000	(705,000)	-	(-)
Bryant Group	B&C	Nov	14,600	(7,500)	1.4	(1.4)
Conrad Ritblat Sinclair	Prop	Nov	600	(260 L)	-	(-)
County Smaller Co's	InTr	Dec†	116.65	(100.7)	1.125	(1.125)
Dalgety	FdMa	Dec	58,400	(56,200)	8.0	(7.85)
Elan	Phrm	Dec★‡‡	60,700 L	(13,200)	-	(-)
Elbief	Text	Oct	138	(244)	-	(-)
Fleming Enterprise Inv	InTr	Dec†	231.7	(170.7)	1.4	(1.3)
Fleming O'seas Inv Tst	InTr	Dec†	360.6	(271.0)	1.5	(1.5)
Glaxo	Phrm	Dec	1bn	(819,000)	9.0	(7.0)
Grosvenor Inns	Brew	Nov	358	(319)	2.25	(2.0)
Hanson	Dvln	Dec‡	173,000	(236,000)	2.85	(2.85)
Helton	BdMa	Oct‡‡	753	(945)	0.65	(0.65)
Howard Holdings	B&C	Oct	37	(198 L)	0	(-)
Intereurope Tech Servs	Med	Dec	348	(542)	2.0	(2.0)
Intl Comms & Data	SpSv	Nov	191	(1,170 L)	-	(-)
Jersey Phoenix Trust	OtFn	Dec†	3.05	(2.63)	1.25	(1.25)
Kleinwort High Inc Tst	InTr	Dec†	117.0	(84.5)	1.875	(1.875)
London & O'seas Frght	Tran	Dec§	2,360	(372)	-	(-)
Mid Wynd Intl Inv Tst	InTr	Dec	439.3	(326.8)	2.5	(2.4)
Roxspur	BdMa	Nov	433 L	(343 L)	-	(-)
Second Alliance Trust	InTr	Jan	18.85	(15.70)	13.0	(12.5)
Stanelco	Elec	Aug	84 L	(14)	-	(-)
Throgmorton 1000 Small	InTr	Dec†	136.59	(98.4)	-	(-)
Tiphook	Tran	Oct	180,000 L	(13,670 L)	-	(-)
Verity	Elec	Dec	444	(1,350 L)	-	(-)
Warrants & Value Inv	InTr	Dec‡†	39.97	(24.18)	-	(-)
Westminster Healthcare	Hlth	Nov	5,200	(1,800)	1.75	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ‡ Figures since launch last March. § Figures in US dollars and cents. ‡ Net income. ★ Figures for nine months. ‡ Figures for 3 months. §§ Figures for 28 weeks. ‡‡ Irish Punts & Pence. ♦ Cost/income ratio.

RIGHTS ISSUES

Burford is to raise £100 via a 3 - 5 at 92p rights issue.
Conrad Ritblat Sinclair Goldsmith is to raise £24.2m via a 1 - 1 at 42p rights issue.
Green Property is to raise IR£25m via a 3 - 4 at 150p rights issue.
Grosvenor Inns is to raise £5.2m via a 3 - 5 at 120p rights issue of 4.87m shares.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Abtrust is to raise up to £15m via a placing of shares.
Adacens Group is to raise £2.1m via an issue of 646,154 shares at 325p.
Barlo is to raise IR£6.45m via a placing of 7.5m shares at 86p.
Bletchley Motor Group is to raise £5m via a placing and open offer of 1.53m shares at 340p.
Clinical Computing is to raise £3.1m via a placing of 4.05m shares at 124p.
County Smaller Co's Inv Tst is to raise £35m via a placing and offer.
Edinburgh Fund Managers is to raise about £75m via a placing and offer of 50p shares in the Edinburgh Inca Trust.
Foreign & Colonial Ventures is to raise about £30m via a placing of two parallel venture capital funds.
Goldsborough Healthcare is to raise £29m via an issue of 18.2m shares at 170p.
Graham Group is seeking a listing via a placing and offer of 114.8m shares.
Great Western Resources is to raise £15m via a placing and offer of 40.9m shares.
Inspec Group is to raise about £50m via a placing and offer.
Parkside International is to raise £12m via its flotation.
Quadrant Group is to raise £4.1m via a placing and offer of 11.7m shares at 35p
Radstone Technology is to raise £7m via a placing.
Roxspur is to raise £5.04m via a placing and offer of 25.7m shares at 21p.
Silvermines is to raise about IR£7.4m via a placing and open offer of 20.35m shares at 43p.
Trifast is to raise £15.7m via a placing of 7.87m shares at 200p.
Tullow Oil is to raise IR£6m via a placing and offer of 27.3m shares at 22p.
United Carriers Group is to raise £7m via a placing.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Anglia Television‡	637§§	655	484	292.0	MAI
In Shops	116	113	83	59.36	Birkby
LWT	789§§	745	585	813.11	Granada
Molynx	24.75	23	23	5.01	Silvermines
Reject Shop	22.4	36	58	2.5	Upton & Southern
Westland	290*	332	305	496.0	GKN

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 18/2/94. §§Shares and cash.

FINANCE AND THE FAMILY

Where value comes first

***Joanna Slaughter** on Boyton Financial Services. Fourth of a series*

The Independents

Richard Boyton

Name of financial adviser:	Boyton Financial Services Ltd
Address of head office:	PO Box 14, Halstead, Essex, CO9 4DY
Date firm was established:	1973; incorporated 1983
Regulator:	Fimbra
Funds under management:	No figure given
Number of clients:	3,900 (including execution only)
Number of offices:	1
Minimum investment accepted:	No minimum
Services offered:	Investment management and comprehensive financial planning
Fees:	£38-£140 an hour, excluding VAT

The 1986 Financial Services Act, which spells out the industry's system of regulation, is not every independent financial adviser's favourite piece of legislation. But Richard Boyton identifies it as the turning point in his career.

Boyton, founder of the Essex-based firm Boyton Financial Services, entered the industry in 1965 but says: "After the FSA, I saw that the world was a changing place and that it was no good playing Canute and waiting for the water to come to us. The legislation made us focus on where we spent our time and where we were profitable.

"The public wanted change, and we took the decision that we would be fee-charging. I saw our role here as being a niche player, not all things to all men but doing certain things better than most."

Boyton's office is a Queen Anne house in the village of Castle Hedingham. The business is staffed tightly and he confesses to being a workaholic.

He believes that fee-charging IFAs stand or fall by their ability to give their clients added value. "That is what we are providing. The reason why people get fed up with their solicitor, accountant or adviser is because they see that value patently hasn't been added."

In the past two years, Boyton has lost 29 clients – five of them died – but has taken on 538 new execution-only and advisory customers. He will not quote a figure for funds under management, as he has not decided if the total should include money invested through the firm's execution-only service, business expansion schemes, or even cash on deposit. "A more relevant figure is the new money flowing into the organisation," he says, "and the present rate of new funds is £1.5m-2.5m a month."

Boyton believes that clients' costs should be controlled as rigorously as his own. He does not think, for instance, that they need always go to Castle Hedingham. He explains: "We don't deter clients from coming to see us. But if you write and say you want to be a client, we can do that on the telephone. With a meeting, you are looking at spending something like £280 plus value added tax on something that I know I can do in 10 minutes."

Nor does he give prospective clients a free first interview, arguing that the cost of this special offer inevitably is borne by existing clients. "If you are giving your time for free, you must be making it up somewhere else," he points out.

Boyton finds that new clients "tend to be very wary and sceptical of the advisers they have seen in the past. I tell them that I don't trust anyone, either, and that they will get everything in writing. And I tell them that if they are not happy with what is suggested, they should not do it."

The firm offers a comprehensive financial planning service, including advice on pensions and school fee plans. Last year, Boyton established a joint venture with McIntyre Stuart, a Cambridge chartered accountancy firm, to help clients with their tax returns.

He believes, however, that investment management is the firm's pivotal role. "What we are about is running assets. You can be a rotten planner but, if the portfolio has performed, the client will love you. It is performance, performance, performance." One big success was investing in the Gartmore Emerging Pacific investment trust in 1992 and selling it just over a year later, making gains of more than 250 per cent.

Time spent on a client's affairs is monitored scrupulously, with fees ranging from £38 to £140 an hour (excluding VAT). Clients can decide whether to offset any commissions that arise against their fees, or use them to enhance their investment. Either way, Boyton wants their decision in writing.

There is no minimum investment. Boyton says: "The minimum portfolio is not dependent upon size. It is a question of whether the client is prepared to pay fees. We can actually operate for small sums of money if the client tells us what he wants."

There is an execution-only service for those who require no hand-holding and a fund watch service that alerts clients to UK and international launches. But the heart of the firm centres on its investment advisory and consultancy service.

This is driven by an in-house data base that can analyse 11,500 institutional funds, and Boyton has links with a number of investment houses and stockbrokers. Where appropriate, advice will also embrace gilts, National Savings and permanent interest-bearing shares.

There is no annual management fee for the investment management service; instead, it works rather like a bank budget account. Boyton says: "We calculate what we think we will spend, looking at the portfolio. We then calculate how much we will spend on specific advice. Clients pay monthly, by standing order, and once a year we look at our estimates and adjust them."

Clients who have opted for the service get six-monthly valuations and are contacted "when we think the portfolio needs to be rearranged, either because assets are fully valued or because an opportunity to buy under-valued assets has arisen."

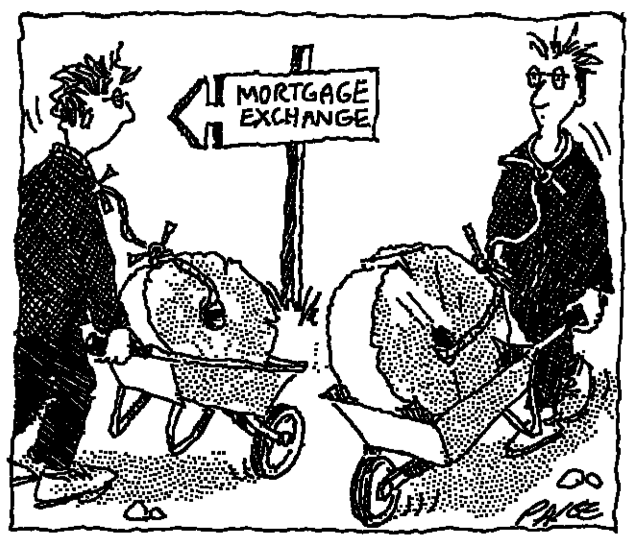
Boyton's investment approach appears painstakingly disciplined. He imposes performance parameters on each investment monitored, and acts when there is any movement outside these. "I'm lethal about cutting losses. I never run them."

He adds: "We don't always get it right, but what we are looking to do is to get it more right than wrong. We are not paid to lose clients' money."

FINANCE AND THE FAMILY

Fixed-rate mortgages are just too popular

Lenders want to switch emphasis, says Scheherazade Daneshkhu



Fixed-rate mortgages have proved so popular with new borrowers that lenders have been trying gradually to shift attention back to their more profitable variable rates.

Two years ago, 27 per cent of new mortgages had the interest rate fixed; this rose to 60 per cent between June and September 1993 (the most recent figure from the Council of Mortgage Lenders).

"We want a balance between fixed rate and variable rate business," says Halifax, the largest lender which, with half its new loans on fixed rates, is below the market average. "Too high a proportion of fixed rates leaves us with less flexibility if interest rates turn against us. We do not want to leave ourselves open to adverse market conditions."

Halifax offers first-year discounts of up to 3.5 percentage points on its variable rate of 7.64 per cent.

Last September, Cheltenham & Gloucester introduced a one-year discount of 2 percentage points on its variable rate, which has been increased to 3 percentage points. This brings down the variable rate to 4.64 per cent to borrowers with a 20 per cent deposit.

Abbey National has also brought in discounts of up to 2.25 points until July 31 1995 on its present variable rate.

Northern Rock will post borrowers a cheque for £1,000 two weeks after they complete a mortgage with the society – but only if the loan is on a variable rate. Northern also gives discounts of up to 4.24 percentage points on the variable rate until April 1 1995.

From Monday, Britannia building society will – for one week only – give a discount of 5 percentage points on its variable rate to those with a 25 per cent deposit. This brings down the rate to 2.75 per cent until January 1 1995. Britannia provided funds for essentially the same package marketed last week by mortgage broker John Charcol and Scottish Life. But there is a disadvantage in going directly to Britannia in that you would have to take out the society's buildings and contents insurance.

Lenders are keen to focus attention on variable rates because, with base rates at 5.25 per cent and the standard variable mortgage rate at about 7.64 per cent, margins are much wider than on the fixed rates. "The variable rate is more profitable for us because we launch fixed rates on tight margins to attract new business," says C&G.

For borrowers, there is a danger that this shift of emphasis might mean that the choice of good fixed rates will begin to ebb. Nationwide, for example, has just launched some new fixed rates which are higher than those they replaced. The two and three-year fixes, available to all home-buyers, are 6.2 and 6.65 per cent and replace those of 5.99 and 6.45 per cent.

This does not necessarily mean fixed rates have hit the bottom – many economic strategists expect base rates to fall further in the UK. But choosing a fixed rate now could be a good move. If, however, your own lender does not offer competitive fixed rates, the cost of re-mortgaging – moving from one lender to another – could be prohibitive.

Alan Patten, senior property partner at London-based solicitor Harbottle and Lewis, says: "A lender will treat a re-mortgage as a completely new transaction so it will want a new local search.

"There will be a land registry fee to pay and the solicitor's conveyancing costs for checking titles and preparing and registering the new mortgage. But at least there will be no stamp duty."

John Charcol estimates that typical costs on a £100,000 mortgage are £260 for the land registry fee, £100 for the local search and £225 for the conveyancing fee. Other costs include a mortgage valuation fee (about £225) although some some, such as Halifax, C&G and Nationwide, will waive or refund this.

There will be early redemption penalties if you are already on a fixed rate, a fee for the new fixed-rate mortgage, and a new mortgage indemnity premium.

The latter is calculated on a percentage of the amount borrowed above 75 per cent of the value. Woolwich says a 90 per cent mortgage on a property worth £112,000 would incur an indemnity premium of £1,200.

Lenders are usually happy to work through the figures to see if it is worth making a switch, and some make it easier financially than others to transfer.

Midland bank, for instance, is offering to pay legal and valuation costs for home-owners switching before the end of the month to one of two of its fixed rates – a five-year fix of 7.25 per cent or a two-year fix of 5.95 per cent. There is no fee for the fixed rates but it will not pay indemnity premiums.

John Charcol will pay the re-mortgage costs for those transferring to a five-year fixed rate of 6.99 per cent; it charges £250 instead of the typical costs on a £100,000 mortgage of more than £1,000. The offer is limited to those with a deposit of at least 25 per cent.

Maximum loan size is £250,000 and the mortgage is with Bank of Ireland, which has a competitive variable rate of 7.6 per cent. There are no compulsory insurance-related products and the mortgage is available on all repayment types as well as being portable.

Ian Darby, of John Charcol, estimates that people on high fixed rates would make substantial savings by switching. If someone took out one of the most popular fixed rates in 1992 – 10.65 per cent for five years – the cost of re-mortgaging with the John Charcol package would be £2,912 (comprising £2,662 for six months' gross redemption penalty and the £250 re-mortgaging fee).

The customer would save £10,156 in lower interest payments over the three years left of the fixed-rate mortgage, leading to a net saving of £7,244. It would take just over 10 months to recover the cost of the mortgage.

One caution, though: anyone considering a re-mortgage should check that they will not lose any tax relief.

Sun shines on

But while pension performance is strong, the charges are hefty, reports ***Debbie Harrison***

In 1810, as the company's official history records, "several highly respectable and opulent gentlemen, having it in contemplation to establish a society for life insurance with an ample and bona fide capital," hired an actuary and set up Sun Life Assurance.

A few years later, the staff doubled with the addition of an 18-year-old clerk, who retired at 66 and drew a £500 pension for 30 years. As he continued to collect it in person, he would proclaim: "Ah! You can't kill an annuitant."

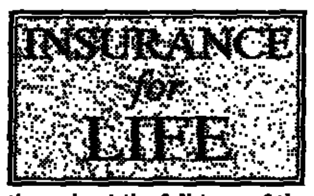
The company now has total assets under management of £16bn and is owned equally by UAP, the largest insurance company in France, and Liberty Life, South Africa's third-largest life assurance concern. They acquired their stakes in 1992; since then, shares in Sun Life have not been traded.

The society offers an innovative range of pension products and is particularly strong in the small company pensions market. Its mainstream personal pensions are considered to be among the best available, while clients with more than £20,000 to invest can take advantage of a low-cost, discretionary private fund facility.

Sun Life was one of the first life offices to sell "unitised" with-profits individual pension plans, which aimed to simplify the complex structure of the traditional with-profits contract. Under a unitised plan, the fund – which invests chiefly in equities, property and gilts – is split into units which can be bought and sold in the same way as other unit-linked funds.

The two main advantages for clients are a more explicit charging structure (fees on traditional with-profits contracts are notorious for being obscure) and being able to switch between the with-profits fund and those that are unit-linked.

The society's charges may be explicit, but user-friendly they are not. Take a regular premium contract. During the first two years, your premiums buy capital units which carry an extra annual fund management charge of 3.5 per cent in addition to the 1 per cent charge on the accumulation units purchased from year three. This hefty charge on capital units is maintained



throughout the full term of the contract. But where no commission is paid to the adviser, capital units account for only the first year's premiums, while single premium investments purchase only accumulation units.

In addition to the annual management charge, there is an initial management charge (the bid/offer spread) of between 5-6 per cent, plus charges for administration and switching between funds.

For those who stay the course, Sun Life pays an "extra fund injection" loyalty bonus on plans that reach the agreed retirement date. The bonus rebates some of the regular charges levied over the years, together with an allowance for investment growth. This helps to explain the society's competitive "reduction in yield" figure of 1.2 per cent, which shows the equivalent annual percentage charge over the life of the contract.

The bonus helps to offset the otherwise relatively high charges of the early years. But the society also imposes a penalty on contracts terminated early. If you stop payments after 10 years on a 25-year contract, you will lose more than 50 per cent of the value of the capital units bought in the first two years.

John Woolnough, Sun Life's business development manager for individual pensions, argues that the overall level of charges should be considered in the light of other important features. He says: "The client's adviser should recommend a company with consistently good performance over different periods of time, backed by a long-established investment team. Higher charges can be an irrelevance if the performance is good."

Certainly, Sun Life is on firm ground when it comes to that. The two most popular personal pension plans – the unitised with-profits and unit-linked managed funds – are top performers over the short and long term. The compound annual growth rate of the managed fund (which invests in all of the society's specialist funds) is 20.02 per cent since its launch in May 1980, compared with the sector average of 16.76.

The number of transfer plans the society has sold to employees with company scheme benefits is low compared with competitors: 15,000, of which only 3,000 were through direct sales. Nevertheless, Sun Life is reviewing all 3,000 to check that each was in the best interests of the client.

FACT FILE 3

Name: Sun Life Assurance Society
Status: Proprietary
Founded: 1810
Market position: Second largest proprietary office by new business income
Financial strength rating: Standard & Poor's assessment is "adequate"
Funds under management: £16bn (at 31/12/93)
Premium income 1993: Annual £106.7m; single £2,232.2m
Number of personal pension plan clients: 179,000
Number of transfer plans sold: 15,000
Sales outlets: Over 80 per cent through independent advisers, rest through direct sales and tied agents.
Commissions paid: Average life office rates to independent advisers, eg about 60 per cent of the first year's premiums on a 20 year contract
Nil-commission terms available? Yes - through any independent adviser. Commission reinvested in plan
Recurring single premium contracts? Yes
Expense ratio (management expenses divided by total premium income): 8 per cent in 1993 (provisional); 10.3 per cent in 1992, 9.3 per cent in 1991 (industry average last calculated in 1991 at 19.3 per cent)
Reduction in yield 1993*: (equivalent annual percent charge over the life of the contract): 1.2 per cent on a 25 year unit -linked personal pension (industry average 1.6 per cent)
Penalties on early retirement or termination: On unit-linked plan, loss of proportion of first two years' premiums, actual amount depending on number of years contract cut short (see text). On with-profits plans, a discretionary "market value adjuster" (MVA) penalty may be imposed
Performance*: Excellent for with-profits (five and 10 year plans), and for managed, equity, Pacific unit linked funds.
Building society, cash, index linked and fixed interest good; rest average or below average.
Source: FT Personal Pensions 1994 Handbook and Pensions Management

Charges At present life office illustrations of what your investment may produce use a standard basis for charges set by Lautro (the Life Assurance and Unit Trust Regulatory Organisation). To reveal the impact of real charges on the final fund of Sun Life's managed unit-linked plan, we asked for illustrations using actual charges for a man age 45 who expects to retire at age 65 (ie a 20-year contract), paying (a) £200 per month and (b) a stand alone single premium of £10,000. Illustrations using Lautro standard charges, which in fact are much lower than charges used by most life offices, are shown in brackets. The last illustration gives a theoretical value if no charges were made. The growth assumptions are Lautro's standard 6 per cent and 12 per cent.

Extract from Queen Victoria's Sun Life policy

Full commission paid

	6% gth	12% gth
Monthly premium £200	£77,101 (£80,900)	£148,747 (£158,000)
Single premium £10,000	£25,458 (£28,200)	£77,358 (£85,200)

Nil-commission

	6% gth	12% gth
Monthly premium £200	£85,172 (£80,900)	£167,572 (£158,000)
Single premium £10,000	£26,769 (£28,200)	£81,341 (£85,000)

Theoretical nil charges

	6% gth	12% gth
Monthly premium £200	£91,129	£183,971
Single premium £10,000	£32,071	£96,463

Where full commission is paid, Sun Life's charges are significantly higher than the Lautro basis, yielding a lower projected return. When the commission cost is stripped out on the monthly contract, the situation is reversed on the monthly but not on the single premium contract.

Errors in tax codings

Many employees are getting wrong tax codings because of changes to car and personal benefits, *writes Scheherazade Daneshkhu*. Sir Anthony Battishill, chairman of the Inland Revenue, said this week that mistakes were made in 9 per cent of all dealings with pay-as-you-earn employees.

About 15m codes are being sent out compared with 8m last year, mainly because of the restriction of the married couple's allowance to 20 per cent instead of the taxpayer's marginal rate. The allowance is £1,720 for those under 65 and, from April 6, it will be worth only £344 instead of £430 to a basic-rate taxpayer, or £688 to a higher-rate payer.

The most common coding problems are:

■ Company cars. The system for assessing benefits will change from April 6 but Andrew Shaw, tax partner at City accountant Kingston Smith, says: "All the codes I have seen so far have used the old 1993/94 scale benefit." The new scheme will be based on the original list price of the car instead of scale charges. The Revenue says that if the word "new" in brackets does not appear, it is probable the old system has been used.

Cars more than four years old in 1994/95 qualify for a one-third reduction in the taxable benefit but, often, this is not reflected in the codes.

■ The married couple's allowance. The only way the Paye system can deal with this year's change is to restrict the allowance, according to Martin Donn, of chartered accountant Blick Rothenberg. "The Revenue has had to guess whether an individual will be paying tax for 1994/95 at 20, 25 or 40 per cent in order to include the correct 'allowance restriction'," he says. "Very strange numbers have been appearing in coding notices as a result."

■ Under or overpayment of tax. The Revenue will adjust codes to reflect either case. Often, this can often lead to errors.

■ "Other" benefits. Shaw says deductions for 1994/95 are based on 1992/93 benefits provided by the employer but these have changed in many cases.

FINANCE AND THE FAMILY

A sector in need of facts

***John Cuthbert** continues his analysis of UK growth unit trusts and argues that more data is needed*

The UK growth unit trust sector contains very different types of funds. Despite appearing under the classification "growth," for example, there are funds distinguished better by their specialisation and *unique risk/return signatures* than by a growth approach to investment.

Last week, I divided the sector into *specialist funds – such* as recovery and special situations funds which pursue growth with a twist – and non-specialist funds. I argued that specialist funds were not really growth funds at all.

The second class of funds in the sector, the non-specialists, can, by contrast, be described as growth funds. The problem *here is* that the notion of growth has two meanings.

On the one hand, it refers to the fund's aim: the growth of capital. *And, indeed, all these* funds pursue this aim. On the other, however, growth also describes a distinct investment approach: the purchase of stocks with earnings growth rates higher than the market average. This is an exacting standard for which, sadly, few funds qualify.

The question here is: which notion of growth is the more valuable guide? The answer depends largely on exactly what you think sector classifi*cation is for.*

My view is that sector labels are a way for investors and advisers to compare relative performance. Only funds with the same characteristics (these help to explain the way their price behaves) and orientation (something which comes through in the risk/return profile) should be lumped together – in which case, the specialist class of funds should be split into three new sectors: aggressive growth, cautious growth *and growth.*

Aggressive growth funds would be those which pursue a true "growth" investment approach – stocks with high rates of earnings growth. Cautious funds would include the six (Axa E&L British Excellence, Gartmore British, Henderson Best of British, Invesco Ruperts Children's, Mercury British Blue Chip and TSB British Growth) which retain a *virtually constant exposure to* the 100 biggest (FT-SE 100) stocks, as well as a further group which retain a core bias towards FT-SE *stocks.*

The new Growth sector would contain a group of more independent funds which trawl the whole market for the best buys.

Reclassification alone, however, will not do. Many funds, aggressive and growth alike, often pay over *the odds* for growth stocks. Likewise, many cautious funds often conduct extra growth sorties into the ranks of *medium-sized* and smaller companies.

Both factors can change a fund's risk and character considerably. So, we also need some way in which these characteristics also can be made apparent.

My recommendation is that Autif, the investment fund trade body, should insist that all unit trusts (and not just growth funds) disclose five things: average price/earnings ratio, average price/book ratio, five-year earnings growth rate, their size relative to the FT-A *All-Share index, and fund com*position by stock size (small, medium and large).

If this is done, many of the *problems that arise from* attempting to second-guess the true character of benighted funds would have a solution.

A *fund which displayed a* high p/e relative to the market, for example, would raise the suspicion that the manager had paid *over the odds.* If a cautious fund, which should have market average earnings growth, suddenly produces earnings *growth well* above this, this boost might suggest that it has become less cautious.

Recent history points also to the value of such information for portfolio planning. The most successful UK equity strategy over the past four years would have been holding FT-SE stocks with high earnings growth in the two years up to Britain's exit from the exchange rate mechanism in 1992 – and then shifting into undervalued medium and small-sized companies immediately thereafter. But without disclosing more information, this type of portfolio planning – essential to beat the market – will remain whimsy.

Whatever Autif decides, we *should stick to risk-adjustment* of total returns as the performance standard. Risk-adjustment provides us with a way of assessing if the causes of a fund's performance include managerial ability or if they are just the exclusive product of risk.

This works by applying a *minimal standard* for performance. It requires that the total returns of active manag*ers beat a passive measure* (that is, one where no managerial decisions are involved), such as the FT-SE A All-Share. But because managers could beat the All-Share simply by increasing risk, they should demonstrate also that they can better the All-Share on a risk-adjusted basis.

Of the 74 non-specialist growth funds with five-year histories that I surveyed, only eight make the grade – that is, their performances are *of a sufficient size to suggest* that something more than mere risk has been at work.

Of these eight, none has achieved this through a strict growth strategy. The majority blend their selections into a mix of stocks with higher-than-average earnings growth rates and stocks which are undervalued.

The non-specialist class, however, is dominated by three funds – Pembroke, Gartmore British and AIB Grofund – the consistency of which, relative to the All-Share, indicates *clearly that superior manage*rial ability is at work.

Surprisingly, there is very little to chose between these *funds in terms of risk, so the* differences in the risk/return scores are due mainly to total returns.

Whether the performance of these funds continues in the same way depends on their present average p/e and earn*ings growth rates. Without this* information, the future of these funds is a matter of conjecture.

It *is time, I think, to recog*nise that a sector of this size, and the £12bn of investors' money sunk into it, should be both reclassified and strengthened by the disclosure of further information.

■ *John Cuthbert is an investment fund analyst.*

UK growth sector: Non-specialist

	Year	Total Return %	Bench-mark	BM Ratio	Risk relative to sector	Risk Description	Risk/ Return
Pembroke	1989	41.49	6.85				
	1990	-14.03	-3.53				
	1991	29.06	9.98				
	1992	29.28	10.44				
	1993	38.85	11.16				
	TOTAL	110.89		1.3	0.97	Average	0.4
Gartmore British Growth	1989	36.00	1.36				
	1990	-2.65	7.85				
	1991	20.16	1.08				
	1992	26.43	7.59				
	1993	28.09	0.40				
	TOTAL	101.26		1.19	0.95	Below average	0.38
AIB Grofund Equity	1989	37.77	3.13				
	1990	-5.84	4.66				
	1991	25.75	6.67				
	1992	29.11	10.27				
	1993	23.64	-4.05				
	TOTAL	103.32		1.21	1.01	Average	0.37
Capability Growth	1989	30.47	-4.17				
	1990	-8.31	2.19				
	1991	27.48	8.40				
	1992	24.06	5.22				
	1993	24.11	-3.58				
	TOTAL	91.73		1.08	0.97	Average	0.33
Standard Life UK Equity Growth	1989	36.25	1.61				
	1990	-8.52	1.98				
	1991	21.55	2.47				
	1992	19.19	0.35				
	1993	32.28	4.59				
	TOTAL	94.72		1.11	1.03	Average	0.33
Fidelity UK Growth	1989	24.48	-10.16				
	1990	-10.59	-0.09				
	1991	17.5	-1.58				
	1992	27.1	8.26				
	1993	32.86	5.17				
	TOTAL	85.64		1	0.94	Below average	0.32
Mercury British Blue Chip	1989	38.96	4.32				
	1990	-4.45	6.05				
	1991	16.28	-2.8				
	1992	19.19	0.35				
	1993	24.36	-3.33				
	TOTAL	90.41		1.06	1.02	Average	0.31
Smith and Williamson Growth	1989	47.12	12.48				
	1990	-20.15	-9.65				
	1991	15.69	-3.39				
	1992	22.89	3.85				
	1993	33.03	5.34				
	TOTAL	87.53		1.03	1.03	Average	0.3
FT-SE-A All-Share	TOTAL	85.28			1.03		0.29

Years are December 31st to December 31st. N.B. The five year total is based upon monthly percentage changes so does not sum to the five year-on-year totals. The Benchmark column shows the arithmetic difference between the fund's return and the index's return. The BM or benchmark ratio expresses the percentage non-cumulative total return outperformance over the FT-All Share by the fund over the five years. Risk is total risk or volatility. Total risk is measured by the standard deviation of monthly returns over five years to Dec 31, 1993. Risk relative to sector is each fund's standard deviation divided by the sector's average standard deviation of 4.74. Risk/return is the division of the five year average monthly total return by the five year standard deviation of monthly returns. The five year risk/return figure for the All-Share Index is 0.29. Return data, offer-to-offer, net income reinvested to December 31 1993. Source: HSW. All other calculations: JP Cuthbert.

Bonds / Michael Dyson

Sensible way to a balanced portfolio

Professional investors value bonds for their redemption yield (total return) rather than price. Normally, a rise in the yield of a bond with a short life (say, three years) will equate to a much smaller fall in price than would the same yield movement in a 25-year bond.

The longest bonds of all are irredeemables, known also as perpetuals. For these, which pay a fixed rate of interest *without limit, a general change* in yield levels can exaggerate greatly the price movements of shorter bonds. This is known as volatility.

Permanent interest-bearing shares, which are irredeemable fixed-income securities issued by building societies, have recorded sharp falls recently, partly because of their volatility. But the extent of the falls has had an interesting side-effect.

The ease with which Pibs may be bought, and held, has resulted in a high proportion of them being held by private investors. But the market is dominated by institutional investors because of the greater liquidity (dealing in large size) in the perpetual Eurosterling market.

Over recent weeks there have been some selling orders in Pibs, forcing prices down to levels not seen for several months. But few professionals have sold their perpetuals. Why not? The main reason is the problem of re-investment. Often, bonds are the core hold*ings of a larger portfolio* for generating a consistent flow of income. If high-yielding bonds are sold, the income from the portfolio will fall.

Of course, if you are sure that bond prices are going to fall and equities will rise, a switch into shorter-dated bonds or equities would be well advised for the shorter term. But no one ever can be certain where markets will go next.

At times like this, investors must ask themselves: *why* do I invest? If the main reason is *income, then compare* the return from bonds with that available elsewhere. Annuity rates are low, while UK deposit rates continue to fall.

For a low-risk portfolio with a more moderate income, you should consider short-dated *bonds. If you require* a balanced portfolio with income, hold a proportion of the money in bonds and build capital via *equities or* equity-based investments.

This means that while the value of your portfolio fluctuates, the bonds will continue to pay a fixed income (however, the benefit of a fixed income is not normally possible from *bond funds*).

For the more cautious seeker of a balanced portfolio, a mixture of bonds and zero dividend preference shares could well provide the ideal combination. But if your only desire is for capital gains, then perhaps now is not the time for any sort of bond.

■ *Michael Dyson is a director of Barclays de Zoete Wedd Capital Markets. This is a market-maker and cannot deal with private clients directly. Readers interested in buying bonds should approach a broker.*

Fixed interest securities for private investors

Issuer	Coupon %	Price	Red'n date	Red'n price	GRY s.a.	Inc Yld	Interest dates	NRY 25%	Net inc 25%
Priority for income									
Britannia bs Pibs	13	135	n/a	n/a	n/a	9.63	31/1 31/7	n/a	7.22
Brixton Estates	11.75	136.5	31/3/2018	100	8.24	8.61	31/3 30/9	5.95	6.46
General Accident	8.875	124.25	n/a	n/a	n/a	9.03	1/1; 1/7	n/a	7.22
Balanced income & capital									
De Beers (Reg'd)	8.25	98.5	31/3/2009	100	8.43	8.38	30/3 30/9	6.35	6.28
Dudley Borough Council	7.00	35 (part paid)	1/2/2019	100	7.45	7.37	1/2;1/8	5.63	5.53
Zero dividend pref shares									
Ivory & Sime	0	208	26/3/97	259.66	7.40	n/a	n/a	6.57*	n/a
M&G Income	0	58.25	5/11/2001	102.46	7.86	n/a	n/a	6.98*	n/a

*Assumes inflation at 4 per cent; Call on Dudley due 1/8/94 @ 60

FINANCE AND THE FAMILY

Directors' deals: are they a guide?

Alan Gregory and John Matatko examine the significance of boardroom share manoeuvres

Can directors predict the direction of their companies' share price better than the average outsider?

Investors and academics alike have been intrigued by this question. Clearly, many believe that buying shares when directors buy, and selling when they sell, *is* a sound investment strategy.

This has produced a demand for the type of directors' trading information produced by specialist agencies such as Directus, which is summarised each Saturday in the Weekend FT. Academics, too, have brought their databases and statistical analyses to bear on the problem.

Early studies in the United States seemed to confirm that it was possible to outperform the market by following directors' transactions. Unfortunately, later research suggested that the outperformance was larger in small firms.

In both the US and Britain, the bid/offer spread (the difference between the price at which a broker will buy and sell shares) is larger in the case of small companies.

Because of this, it appears that returns probably were not big enough to cover the costs of dealing when the directors did so.

The first studies in the UK produced conflicting results, with one suggesting insignificant (although positive) returns following directors' purchases and significant negative returns following sales.

The other, which used the *Financial Times* directors' trading reports as its data source, showed highly significant positive returns following purchases but insignificant negative returns after sales.

Given the contradictory evidence from previous research, we undertook a study* to see if it was, in fact, possible to earn abnormal returns by copying the directors' trading patterns.

Abnormal returns are the differences between actual returns and those which might have been expected from general market movements and the relative risk of the shares.

In the table, it appears that statistically significant abnormal returns of around 14.5 per cent arise in the two years following directors' purchases, with -6.5 per cent arising in the two years following sales.

Roughly two-thirds of these totals are earned by the end of the first year, with comparatively little occurring in the first month following the trade.

Our research showed also that the large proportion of the positive abnormal returns following directors' purchases occur in small and medium size firms. We believe it is essential to allow for the fact that such firms outperformed larger firms during the period of the investigation (1984-1988).

More generally, research by professors Elroy Dimson and Paul Marsh, of the London Business School, has shown that small firms have, on average, performed considerably more strongly than large firms since 1955. If an allowance is not made for this, it is easy to confuse apparently significant outperformance with a "small firms" effect.

Once we take this superior performance by smaller companies into account, the size of these apparently significant abnormal returns is reduced substantially. Although they remain significant statistically after directors' purchases, they become insignificant following sales.

Excluding all purchases and sales related to share options, the "buy" transactions produce cumulative average abnormal returns of about 2.3 per cent after six months, 6 per cent after 12 months, and 8.9 per cent after two years, with the latter two returns being significant statistically.

On the "sell" side, the average transaction underperforms by 1.6 per cent after six months, 1.5 per cent after 12 months and 2.1 per cent after two years, although none of these returns is significant.

In our view, these figures – adjusted for "size effect" – are the true average superior returns which accrue to a strategy of copying directors' transactions in their own companies. But there are two caveats.

One is that our data is based necessarily upon a sample of 1,653 *non-option-related* trades in 150 companies. Another is that this sample was selected to exclude any firms which were taken over or went into receivership between 1984 and 1988.

Nonetheless, some striking conclusions emerge from this research. The first is that "buy" signals have much stronger associations with outperformance than do "sell" signals with underperformance.

The second is that the outperformance persists for as much as two years after the directors' purchases. This is consistent with directors taking a medium to long term view of their company's prospects when buying shares.

Finally, this research emphasises the need to take proper account of both a share's risk and its size-related return when measuring the abnormal performance associated with any trading strategy.

Failing to recognise this "small companies effect" can mis-represent substantially the scale of these abnormal returns.

**UK Directors' Trading: The Impact of Dealings in Smaller Firms, by Alan Gregory, John Matatko, Ian Tonks and Richard Purkis; The Economic Journal, January 1994.*

■ *Alan Gregory and John Matatko are members of the department of economics, University of Exeter.*

Cumulative abnormal share returns following directors' transactions (%)

Directors' transactions	Risk-adjusted return after 12 mnths	Risk-adjusted return after 24 mnths	Size and risk-adjusted return after 12 mnths	Size and risk-adjusted return after 24 mnths
Buy	9.2	14.5	6	8.9
Sell	-4.5	-6.5	-1.5*	-2.1*

*not statistically significant

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Allen	BCon	7,500	15	1
Archer Gp Holdings	Insu	50,000	36	1
Avesco	Mdia	82,649	109	1
Blick	E&EE	100,000	530	1
Burtonwood Brewery	Brew	172,000	303	1
Concentric	Eng	241,364	632	1*
Daily Mail& Gen Tst	Mdia	2,000	263	1 ♣
Domino Printg	E&EE	2,786	14	1
Electron House	Dist	130,000	209	2
Fairline Boats	L&HI	51,000	194	2
Fortune Oil	OilE	2,000,000	140	1
Ivory & Sime	OthF	125,000	299	1*
John Menzies	RetG	35,000	235	1*
Powell Duffryn	Divl	1,500	10	1
RCO Holdings	SSer	4,000	18	1
Rodime	OS&B	2,627,830	1,176	3
Sage Group	SSer	4,000	23	1
SJPC 1990	OthF	4,278,737	7,616	2
Smith (DS)	PP&P	178,581	921	3
Soundtracs	E&EE	44,000	34	1
Stanley Leisure	L&HI	5,130	16	1*
Tams,(John)Group	HGod	12,000	12	1
Vosper Thornycroft	Eng	1,600	12	1
Westbury	BCon	6,500	14	1
PURCHASES				
AIM Group	Eng	100,000	152	2
Forte	L&HI	5,000	13	1
Goode Durrant	Tran	30,000	53	1
Owners Abroad Gp	L&HI	8,061	10	1
Scottish Nat Tst	InvT	500,000	529	1
Smithkline Beecham	Phrm	2,531	11	3 #

Value expressed in £000s. ♣ A non-voting; #incl. ADRs. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 7-11 February 1994. Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

The reporting season has not yet really started and many directors remain constrained by their closed seasons. Buying remains muted, but some sizeable sell transactions have been noted.

□ Rodime has interests in computing. In August, three members of the board – including Malcolm McIver, the non-executive chairman, managing director Peter Bailey and James Swent, a non-executive director, bought more than 7.2m shares at 8p each.

The share price performance has been prodigious since then, and the sale of more than 2.6m by the same three directors was made at 44.75p. The shares have come back a little and are trading now around 38p.

□ SJPC 1990 used to be known as St James' Place Capital and is associated mainly with Lord Rothschild as his investment vehicle. The other large shareholder is Nils Taube.

Recently, he announced his intention to retire and has now sold more than half his holding, a total of 2.5m shares. Clive Gibson also sold stock, partly on behalf of his family trust.

Colin Rogers, The Inside Track

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.80%B	Yly
Skipton BS	2 High Street	Local Branch	Instant	£2,000	6.50%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	6.70%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	7.10%B	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.85%	Yly
				£25,000	7.10%	Yly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	7.35%A	Yly
Chelsea BS	Base Rate Plusiii	0800 272505	1.03.96	£10,000	7.50%C	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.60%B	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30 Day P	£10,000	6.65%	Mly
B&W Asset	Monthly Income	0800 303330	90 Day P	£25,000	6.93%	Mly
Chelsea BS	Base Rate Plus111	0800 272505	1.3.96	£10,000	7.25%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£3,000	7.60%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
Progressive BS		0232 244926	5 Year	£1	7.50%	Yly
Ipswich BS		0473 211021	5 Year	£100	7.40%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£10,000	6.25%	Yly
				£25,000	6.60%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	International	0481 715735	Instant	£500	5.75%	Yly
Portman CI Ltd	Fxd Interest Bond	0481 822747	1 Yr Bnd	£500	6.00%F	OM
Confederation Bank (J'rsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.30%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	4.78%	Yly
Financial Assurance FN		081 367 6000	3 Year	£50,000	5.20%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.85%	Yly
London & Manchester FN		0392 282306	5 Year	£2,000	5.60%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%	Yly
	Income Bonds		3 Month	£2,000	6.50%	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%F	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00% +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. P= By Post only. A = 7 days loss of interest on all withdrawals. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. C = Rate guaranteed to be 2.25 per cent above base rate until 1.9.94 (min 7.5 per cent) and then 1 per cent above until maturity. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

Gilts keep their appeal

But how should you buy them? ***Sara Webb*** *looks at the options*

Back to basics is a slogan more suited to private investors than politicians. Now that the base rate, currently 5.25 per cent, appears to be approaching its lowest point, investors may need to re-examine the fixed income element of their portfolios.

UK government bonds, known as gilts, have provided investors with the chance to earn a higher yield or income available from bank or building society accounts in the past couple of years. Interest rates have been declining since the end of 1990, but those investors hungry for income can still get a higher yield from long-dated gilts than from a standard deposit account.

At the top end of the range, bank and building society accounts offer between 5-6 per cent gross. Redemption yields on longer-dated gilts were hovering at just below 7 per cent last week, giving a real return of just over 4 per cent.

However, those investors hoping to see a continuation of the gilt market rally and the prospect of further capital gains may need to reconsider their strategy. Economists and bond analysts are wondering if the bull run in gilts has much further to go.

Providing inflation stays firmly under control, some economists think the base rate could come down further, perhaps to 4 per cent. But many big institutional investors, with a more international portfolio, regard the gilt market as overvalued.

There are three main ways to buy or sell gilts.

■ **The National Savings Stock Register (NSSR)**
This method has the advantage of being cheap in terms of commission and convenient in that you receive your dividend income gross (although taxpayers, of course, are obliged to declare the income), but the disadvantage is that you buy and sell "blind."

The NSSR offers the complete range of gilts. You simply fill in a purchase or sale application form, available from most post offices, and send it off with your cheque. You can either invest a specified sum of money (in which case, you simply make the cheque out for the sum invested plus the appropriate commission), or you can buy a specified nominal amount of stock (which means you leave the cheque blank so that the cost can be calculated once the price at which the stock is purchased is known).

The NSSR is probably the best way of buying small amounts of stock because the commissions are low – £1 for amounts up to £250. Above £250, there is an extra 50p for each multiple of £125 purchased. Selling commissions are 10p for every £10 (or part) on sums under £100, and £1 on sums of £100-£250. Above £250, the cost is £1, with a further 50p for every additional £125.

The main disadvantage of the NSSR is that you have no say in the price you pay for the individual stock. The NSSR aims to process applications the morning they arrive but, like many financial markets, the gilts market can be volatile. Good news, such as the release of an unexpectedly low inflation figure, can send prices much higher, whereas bad news, such as a high government borrowing forecast, can depress them.

■ **Your bank or stockbroker**
Commissions charged by banks and stockbrokers vary but tend to be higher than those charged by the NSSR.

Sharelink, an execution-only broker, charges 1.5 per cent on the first £2,500, 0.75 per cent for the next £2,500, and 0.1 per cent on amounts over £5,000. Stockbroker Killik & Co charges 1 per cent on the first £10,000, 0.4 per cent on the next £10,000, and 0.125 per cent on additional sums.

The big banks also have dealing services for small investors. For example, NatWest has gilt buying and selling services for customers and non-customers. If you are a customer, you can go into a branch and place your order over the counter. There is a minimum commission of £25. For sums up to £5,000, you pay 1 per cent commission; for the next £15,000, 0.5 per cent. There is also a £1 administration charge.

Alternatively, customers and non-customers can use NatWest's "brokerline" telephone dealing service. Again, the minimum charge is £25. Commission is 0.75 per cent on deals of up to £5,000 and 0.25 per cent on the next £15,000, with an administration charge of £1.

Although the bank or broker route is more expensive, you do have more flexibility when it comes to choosing when to buy or sell. Your broker should also be able to advise you about which particular issue to buy, and whether it is ex-dividend or approaching the dividend payment date.

Given the strong rally in the gilt market over the last three years, investors going into the market now are likely to find stocks are trading above par (in other words, above a price of 100). Gilts are redeemed at par, so you will make a capital loss if you hold onto such an issue until maturity. A broker should be able to advise you when to switch into a new, more attractive issue.

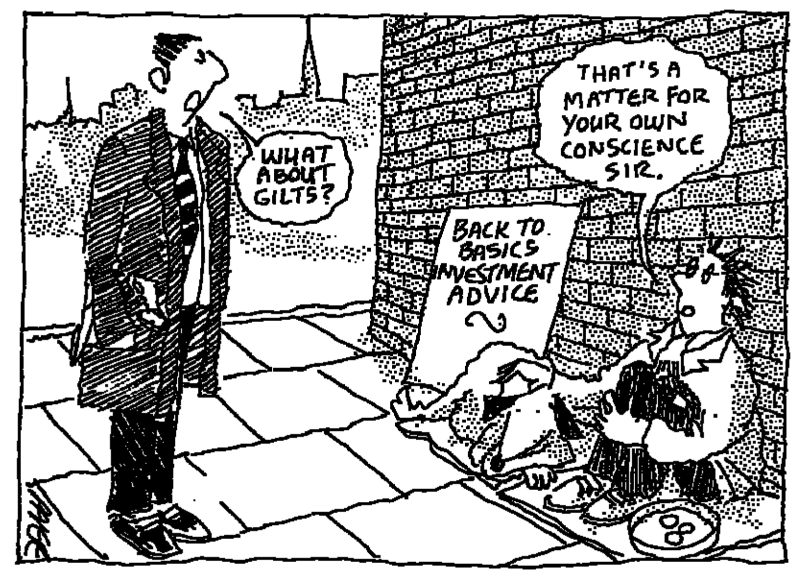
Income from gilts is taxable but capital gains are tax-exempt. However, capital losses on the gilts cannot be used to offset other capital gains. If you buy gilts through a broker, you are buying them from the Bank of England register and your income will be paid net.

Non-taxpayers can reclaim the tax, but if you want to receive your income gross, you can transfer £5,000 nominal of any one stock in any given calendar year from the Bank of England register to the NSSR.

■ **The unit trust route**
If you prefer to leave the management of your gilt portfolio to someone else, but have a relatively small amount of money to invest, probably the most efficient route is through a unit trust. But be warned: there are plenty of gilt unit trusts which have underperformed the FTA British Government All-Stocks index in the past 12 months.

As a unit trust investor, you are liable to both income and capital gains tax (but you have a £5,800 capital allowance). Most unit trusts also charge: apart from a front-end fee (between 0-4 per cent), there is the annual fee (of 0.75-1.25 per cent).

Finally, remember that investing in gilts is more risky than putting your money on deposit in a bank or building society, since gilt prices can rise or fall.



A case of statutory sex discrimination

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

My wife and I are both in the 65-74 age bracket, but, while I have an income above the limit below which I could claim some or all of the age-related married couple's allowance, my wife has a much lower income and could claim all of it.

If we elected to transfer the allowance from me to her, could she then claim the age-related married allowance in addition to the basic married allowance? The tax office says she cannot but, for the life of me, I can't see why not.

■ The tax office is right; parliament has forbidden the transfer of anything more than the basic £1,720. This is explained briefly in the free pamphlet IR121 (Income tax and pensioners).

If you object to this piece of statutory sex discrimination, you might like to write to your MP at the House of Commons, London SW1A 0AA.

Transfer could be costly

I will soon be able to exercise a share option in my name which will be subject to CGT. Since the gain exceeds the tax-free allowance, I intend to transfer some shares to my wife, which she will then sell. How will the gain be assessed for CGT, assuming that all transactions happen on the same day?

■ Your tax inspector (and your wife's) could well take the view that you have merely used your wife as a nominee or puppet, so that any gains are assessable upon you alone. You have the right to appeal, as outlined in the free pamphlet IR37 (Income tax and capital gains tax: appeals), but we doubt if you would succeed.

To make clear that your wife is acting on her own initiative, and that your gift of shares reflects a *bona fide* wish to give her a measure of financial freedom, it is preferable that no sale take place until after the shares have been registered in her name for some time.

The proceeds, and any dividends in the meantime, should be credited to an account in your wife's sole name (to which you have no access). None of the money should find its way back to you, even indirectly.

They've moved my file

Does a taxpayer have any right to ask that his tax affairs be dealt with at an office close to his residence?

Mine have been handled in the local IR office in Devon for the past 13 years, which is handy for local telephone calls and visits. Now it says my affairs are to be handled in Newcastle-upon-Tyne, 300 miles away.

The only reason it gives me is that Newcastle is the source of the major part of my pension income.

■ Write to the Controller, Inland Revenue South-west Regional Office, Finance House, Barnfield Road, Exeter EX1 1QX (quoting your tax district and reference number) and explain why it makes sense for your tax affairs to continue to be dealt with at your local office.

You could also ask for a copy of the free leaflet IR120 (You and the Inland Revenue), either from the regional office or from your local office. At the same time, you might like to write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London WC2R 1LB, for a free copy of Budget press release IR3 (Self-assessment and simplification of personal tax).

Investing for grand-daughter

For nearly two years, I have been putting about £60 a month in an investment trust savings scheme on behalf of my grand-daughter, now aged four. The shares are in my name. I intend to continue investing until she is 18.

The investment will no doubt become a substantial sum while, at the same time, producing significant dividends. Am I correct in assuming that, provided her annual income does not exceed the single person's tax allowance, she will be able to claim a tax refund on the dividends?

Also, when she receives the accumulated investment at 18, if/when she sells the shares, will any associated capital gains be her responsibility and not mine?

■ The fact that you have kept the shares in your own name (instead of simply handing the monthly gifts of cash over to the girl's guardians for investment on her behalf) might be taken as evidence that, although you plan to give the shares to your granddaughter one day – when she is 18, for example – they remain your own property at present.

You might wish to consult a solicitor about executing a declaration of trust if there is no clear evidence of your bare trusteeship (such as a letter to the girl's guardians and their consent to the shares being held in your name rather than theirs). It could be, of course, that you consider the guardians to be untrustworthy.

Exemption from CGT

I am out of work and receiving unemployment benefit plus a small occupational pension which, because I am under 55, is untaxed. I do, however, invest in both shares and traded options and am showing a reasonable profit at the moment. I realise that capital gains tax is levied at whatever rate of tax one pays on income, so could you confirm that, as a non-taxpayer, my earnings on shares and options are exempt?

■ Someone whose income is too small to attract any income tax liability for the present 1993-94 tax year is liable to pay capital gains tax on the following scale: No CGT on the first £5,800; 20 per cent on the next £2,500; 25 per cent on the next £21,200; 40 per cent on the rest. Ask your tax office for the free introductory booklet to capital gains tax, CGT14.

Supplementing a pension

I have retired and, to supplement my pension, I propose letting two rooms in my principal residence as bed-sits under the government scheme which allows an annual income of £3,250 without tax liability.

1. As this is my principal residence, will letting the rooms affect the CGT exemption?

2. If I keep within the £3,250 limit, need I declare this income on my annual tax return?

■ 1. No (so far as we can deduce from the facts given). Ask your tax office for the free pamphlets CGT4 (Owner-occupied houses) and IR87 (Rooms to let).

2. Yes.

When a gain can be a loss

For CGT, I understand that indexing the cost of shares is no longer permissible if they are sold at a loss but is still available when a sale results in a gain.

Say I buy shares for £1,000 and sell them for £1,400. Since there is a gain, I am allowed to index the base cost. But what happens if the indexation takes the base cost from £1,000 to £1,600. A money gain of £400 has become an indexed loss of £200?

Since indexation is not permitted to increase a loss, what should I do? Do I declare a gain of £400, a loss of £200, or nil gain?

■ The answer is neither a chargeable gain nor an allowable loss. If shares which cost £1,000 are sold in a month for which the indexation factor is 60 per cent, it makes no difference if the net proceeds are £1,600 or £1,000: the result for CGT purposes is zero.

Write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB, for a (free) copy of the Budget day press release IR28 (Capital gains: indexation allowance and capital losses).

Eligible for indexation

In Briefcase (January 15/16), you say CGT indexation can now be used to mitigate gains but not to increase losses on gilt unit trusts. Could you tell me:

1. Does the application of indexation apply in retrospect from the date of purchase or only from the date when the Finance Bill became law?

2. Does the new rule apply to all gilt and/or fixed-interest *unit trusts*?

What is the CGT position regarding transfers of investments (unit trusts) from spouse to spouse. Do such transfers, carried out in accordance with the the standard stock transfer form, now constitute a disposal by the transferer, or does the original base rate still apply for indexation?

■ 1. All assets disposed-of after November 29 last year are eligible for indexation allowance from the month of acquisition to the month of disposal (up to the amount of the unindexed gain, if any).

The denial of indexation relief against gains on gilt unit trust units etc (after March 19 1990), and on shares in UK building societies and industrial and provident societies (after July 3 1987), is to be abolished by sub-sections 7 and 11 of clause 89 of the Finance Bill, as published on January 11*.

The restoration of indexation relief for gains on building society shares will benefit trustees, in particular, on the occasion of deemed disposals at market value (when the market value reflects accrued income and is, consequently, above par).

2. Such transfers have always constituted a disposal by one spouse and an acquisition by the other; but they have been, and continue to be, treated as made for such a consideration as will give the transferer neither a gain nor a loss.

The difference, broadly speaking, which is made by sub-sections 4, 5, 6 and 11 of clause 89, is that a transfer after November 29 will not give the transferee the benefit of the transferer's indexation (up to the month of the transfer) unless, and then to the extent that, the transferee has a potentially taxable gain on her or his eventual disposal.

In making plans on the basis of the Budget proposals and the original (417-page) version of the Finance Bill, you must bear in mind that every finance bill is amended substantially by the government of the day during its passage through the House of Commons. The present bill is unlikely to receive its third reading until quite late in April.

*"(7) Sections 103 (collective investment schemes, etc.), 111 (building society etc. shares), 182 to 184 (groups and associated companies) and 200 (oil industry assets) of that Act (all of which relate to indexation allowance) shall cease to have effect."

"(11) This section shall have effect in relation to disposals made on or after 30th November 1993."

Establishing the facts

I have two questions on capital gains tax.

1. I hold shares in a company that went into receivership in 1991 and was declared (or so I understand from a circular the company sent me) of *nil value by the Inland Revenue*.

Can I index the losses to the date when the Revenue declared them nil value (this was before the Budget)?

2. I hold shares in two companies from the early 1980s. Both were registered in Amsterdam and both have "disappeared from the scene," probably because they were fraudulent. Am I entitled to indexation on these losses?

■ 1. If the company was still in existence on November 30 last year, then you will get no indexation allowance at all, as you will see from the free Budget press release IR28 (obtainable from the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB).

In saying this, we are assuming that you mean you did not submit a negligible-value claim (under section 24(2) of the Taxation of Chargeable Gains Act 1992) before Budget day.

On the other hand, if the company was struck off (or otherwise ceased to exist) before November 30, you will get indexation allowance up to the day of striking-off (or extinction), and the indexed loss will be deemed to have accrued on that day, by virtue of section 24(1).

This says that "the occasion of the ... extinction of an asset shall, for the purposes of this Act, constitute a disposal of the asset."

2. If the companies were fictitious, then you will get no loss relief at all (because what you lost was sterling, which is outside the scope of CGT, presumably).

If the companies were real, then the answer is the same as to question 1. In practice, of course, the cost of trying to establish the facts to the satisfaction of the Inland Revenue (or, on appeal, the General or Special Commissioners,) could be prohibitive.

Green and serene in downtown Tokyo

*The Korakuen garden has survived earthquake and war. **Christopher McCooey** finds it now to be an oasis of peace*

Tucked away along back streets in downtown Tokyo, just a home run hit from the Tokyo Dome where the Yomiuri Giants baseball team plays, is a quiet oasis of great beauty. The oldest garden in Tokyo nestles a discreet cheek to the roistering jowl of the baseball and recreation park, typical of the Japanese capital's startling juxtapositions.

Though it is now a sanctuary for ordinary salarymen and housewives who want to take a breather by stepping out of Tokyo's urban roar, Korakuen garden was at first the exclusive reserve of the city's samurai class. It was laid out during the early years of the Tokugawa era as a formal strolling garden, with pathways around landscaped lakes, mountains, waterfalls, rivers and temples. Famous scenic spots of China and Japan, especially from the former capital of Kyoto, were faithfully reconstructed in miniature.

Tokugawa Yorifusa, the feudal lord of the Mito branch of the family, started work on digging ponds and raising hillocks in 1629, but it was his successor who saw the completion of the task.

Tokugawa Mitsukuni had a keen interest in things Chinese, and had given protection to Chu Shun-Shui, a refugee from the Ming dynasty of China, who lived from 1600 to 1682. He was the garden's chief landscape architect and his influence accounts for some features directly modelled on famous places in China. One such spot is Korakuen's down-sized version of China's Lu Shan mountain, as smooth and round and full as the original, the twin hillocks totally covered with dwarf bamboo.

Originally, the area of the garden was 63 acres, but it was reduced to a quarter of that during the city planning changes in the middle of the 19th century. The 16 acres that remained were designated as an outstanding scenic site of historical importance by the Cultural Property Protection Committee. Management of the garden was turned over to the Tokyo metropolitan government in 1936.

Unfortunately, much was destroyed by two shattering disasters to hit Tokyo this century: the devastating Kanto earthquake and resulting fires in 1923, and the US fire-bombing of Tokyo in 1945. Although some of the original trees, planted in the 17th century, have survived, the original buildings on the site – tea houses, gates, shrines – went up in flames.

The city has been busy since the second world war restoring some of Korakuen's former glory. For example, a small but exquisite temple to Benten, an Indian goddess of good luck, first erected 350 years ago, has been rebuilt on an island in the middle of the garden's large, horseshoe-shaped central lake.

Other reconstruction work is still going on with the special care so characteristic of a formal Japanese garden, which may be described as the enhancement of nature in the search for perfection.

Although Korakuen is overlooked by office blocks such as Toyota's Tokyo office, it is difficult to believe that you are slap-bang in the middle of a metropolitan area of more than 12m people. The walls and trees and bushes mute the city's roar, and the most immediate sounds are natural ones – water falling, wild birds calling, insects buzzing.

Korakuen has special attractions for each season, which accounts for the regular visits by those who live or work nearby. Office workers come with their lunch boxes of cold rice and pickled vegetables; retired men arrive with their tripods and cameras; young men bring their girlfriends, and housewives their gossip, to sit on benches and enjoy the parade of the seasons.

Korakuen is at its finest in spring, when Tokyo comes alive with Japan's beloved cherry blossoms. It is at this time that the garden has most visitors. Masuda-san, the head gardener of five, says that 2,000 admission tickets (£1.20 each) are sold daily during the peak *hanami* (cherry blossom viewing) season in April.

Since children under 15 are admitted free, more than 3,000 may pass each day under the stunning pink-and-white explosions. Perhaps the most impressive of these is produced by a fine, 100-year-old weeping cherry tree standing just inside the garden's entrance. Over 50 years ago the tree was in a sorry state, slowly dying and unable to blossom in the spring. But it was rejuvenated in 1942 with the botanic equivalent of a heart transplant; new roots from a similar tree were successfully grafted on to the old stock.

Not long after the delicate cherry blossoms fade comes the mauve wisteria of May, weeping down from the trellises. Summer is for irises, and also a time to search out the turtles on the rocks in the ponds, their necks stretched out and up but as still as a statue, enjoying the sun on their shells.

In October, the garden's rice field is ready to harvest. Snatch a stalk when the gardeners are not looking and husk the grains by rubbing them palm to palm; there is something especially reassuring about being able to pick Japan's traditional staple in the centre of its capital sprawl.

In November, the stunning colours of autumn run riot in the garden's maple groves. Tokyo's relatively mild winters provide only the occasional snowscape, but there are camellias in February to brighten the subdued browns of winter.

Korakuen abounds in small delights. Look closely in any of the garden's ponds and you will see, vacuuming the bottom, fat goldfish so startlingly coloured that they seem not real but painted.

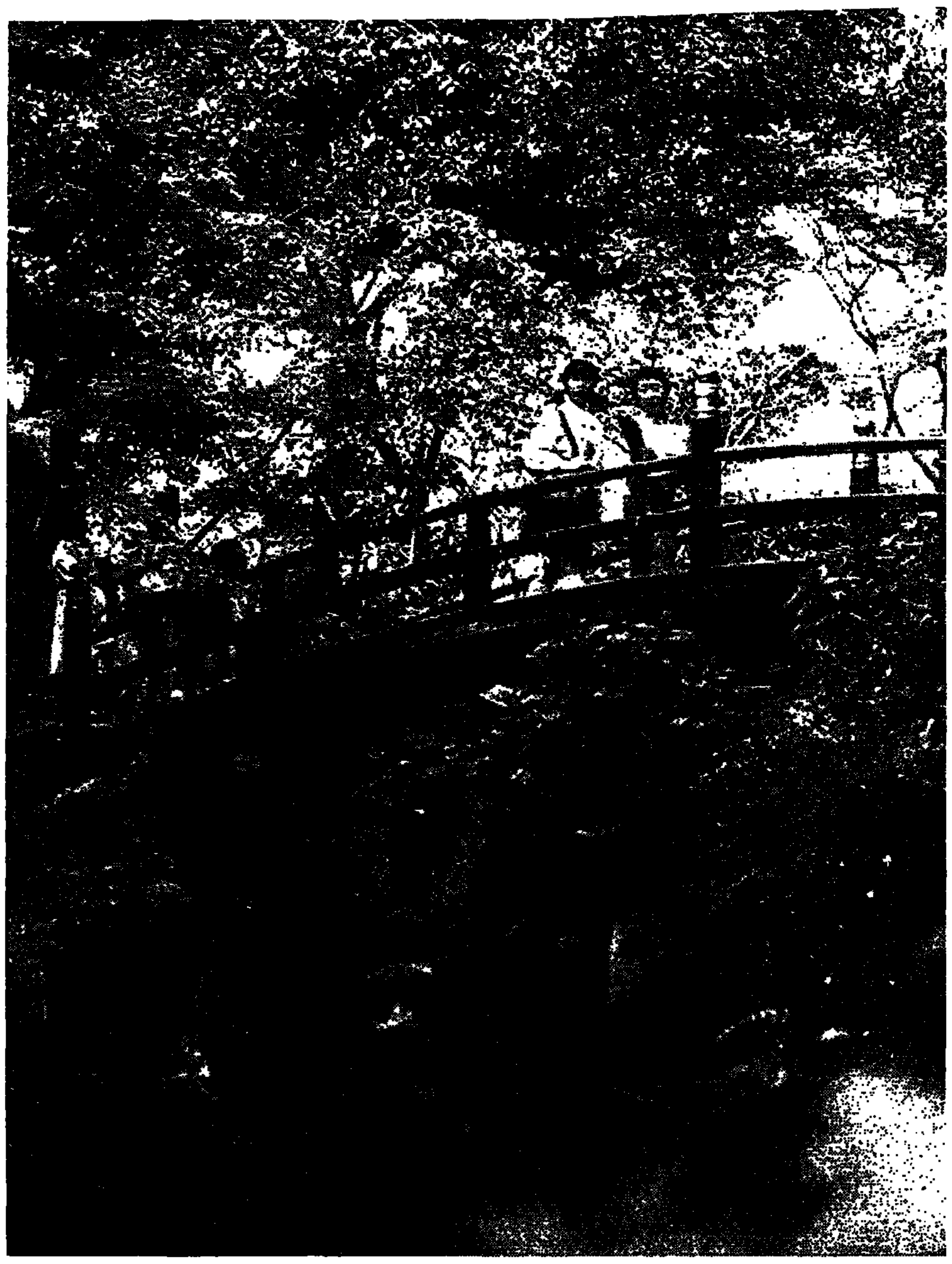
There is a fascinating collection of bridges, from simple stepping stones to proud vermilion wooden spans to a half-circle stone arch known as the Full-Moon Bridge because its reflection in the water completes a full circle. Tucked away in odd corners are a variety of small markers and monuments, perhaps the most unusual of which is a stone memorial to the seventh lord of Mito's favourite peregrine falcon.

For the less curious, Korakuen offers the priceless pleasure of immense peace and quiet. Follow the example of the local salaryman who removes his trademark tie, slips off his shoes (he places them neatly under his bench, like a brace of rabbits at rest), and stretches out on a spread-open newspaper for a delicious 30 minutes of time out.

Rest assured that you will be woken from your reverie by nothing more jarring than the rolling *splosh* of a carp, the *tseep, tseep* of a handful of whiteyes picking their way through the foliage, or the whiffling whistle of a wintering wigeon.

■ *Korakuen garden is less than 10 minutes' walk from Suidobashi subway station on the blue Toei Mita line (all of Tokyo's subway and rail lines are colour-coded). Walk west (towards Iidabashi) in front of the main entrance to Tokyo Dome and, after passing the huge Toyota building, turn right down the next side street: the entrance to the garden is 200 yards on the right.*

The garden is open every day except Monday, from 9am to 4pm. If a public holiday falls on a Monday, the garden opens that day but closes the following Tuesday. An illustrated guidebook in English and Japanese is available for about £1.80.



Christopher McCooey

Sanctuary for salarymen: a bridge in Korakuen garden, downtown Tokyo.

Paraguay: pickled in its own history

The country turned to democracy only last year. Progress remains slow, says ***David Pilling***

The cab reeked of alcohol. The driver, a squat, stubble-faced man with halting Spanish, must have been hard at the bottle. As he groped around the unfamiliar territory of Castilian vocabulary – like many Paraguayans, Guaraní, not Spanish, was his first language – a vodka-like odour drifted through the soupy air.

It was punishingly hot. The tarmac of the airport car park was sticky underfoot and a ridge of sweat formed a liquid moustache over the driver's lip.

I had just arrived. Half-an-hour earlier, I had been in the temperature-controlled comfort of an international jet. From the air, Asunción, the capital, looked like a nature reserve – a vegetal mass of trees, palms and creepers with the odd tiled rooftop peeking from the undergrowth. A slow, brown river sludged its way through a break in the trees, and a network of earth-red tracks spiralled off from a skeleton of tarmaced road.

On the ground, things did not look much different. Plant life was sprouting from every crevice, cabbage-sized flowers burst from crumbling brickwork, trees arched precariously over roadways, and matted creepers gyrated round lamp posts and crawled along pavement cracks. It was as if someone had founded a capital city in the Kew Gardens hot-house.

We pulled into a petrol station, where it emerged that my first assumption about Paraguay had been wrong: the cab driver had not been drinking. The vodka smell odour was coming from the car's engine. Like many Paraguayan vehicles, the taxi ran on alcohol. "Some people drink it, too," he said.

We drove on at snail's pace through the botanical garden-cum-city. Everything moved slowly. People sauntered, cars meandered. Even the insects buzzed drowsily through the air. Asunción, unlike most other speed-crazed Latin American cities, was dozing in the heat.

It is not surprising that Paraguay should be different from its continental counterparts. Like a country in a jar – isolated for decades from the rest of South America – it has been pickled in its own history. Post-independence events began with one Gaspar Rodríguez de Francia – "El Supremo" to his friends – who pursued a policy of absolute isolation. From 1814 until 1840, no one was permitted to enter or leave. There was no external trade.

In 1865, isolationism gave way to expansionism when Mariscal Francisco Solano López, a Paraguayan Napoleon, embarked on a suicidal escapade known as the War of the Triple Alliance. Tiny Paraguay took on the combined might of Brazil, Argentina and Uruguay – and lost.

More shockingly, of its pre-war population of 800,000, only 194,000 survived. Of these, a mere 14,000 were men, a small but willing group which set about the task of re-populating the nation.

There was still time for at least one further crazed turn of history's wheel: the near 40-year dictatorship of General Alfredo Stroessner, a man who seized control 15 years before Americans landed on the moon. Only last year did Paraguay join the rest of the continent in taking a stab at democracy.

All official references to Stroessner are supposed to have been removed, but some bus companies – evidently a little below speed on recent events – still advertise routes to streets named after him.

Such historical shenanigans have left Paraguay a little dazed. Its people are among the poorest and shortest-lived in South America. One quarter of them live abroad. The country has virtually no industry; its main exports are soya and cotton.

If traces of its dictatorship are still in evidence, so are elements of its more distant past. Scattered around the south of Paraguay, some three hours' drive from Asunción, are remains of several Jesuit missions, deserted since 1767 when the holy order was banished from the region.

These so-called "reductions," where Indians lived with priests in self-sufficient communes, began gradually to pose a threat to the state, which relied on Indians for slave labour. Missions were often attacked; some communities were constantly on the run.

I stumbled across some present-day Jesuits in an out-of-the-way museum and spent the following day with them clattering over the sweltering Paraguayan pampas in an ancient, bright orange Jeep. The Jesuits, all training to be priests in Belo Horizonte, were on holiday in Paraguay, killing time before a month-long Jesuit get-together in southern Brazil.

Holidaying Jesuits – one had an antique-looking camera slung over his shoulder, another washed down his steak lunch with a couple of beers – did not fit my preconceptions of religious self-contemplation and withdrawal from earthly affairs. I wondered where they got the money from.

"That's the beauty of a vow of poverty," said Tim, a meek-looking fellow who appeared more suited to a quiet English vicarage than the rigours of Latin America. "You never have to worry about money. You just ask for whatever you need at the beginning of the month." His advice on priestly budgeting was always to request a third more than needed – to compensate for unholy South American inflation.

We set off in the Jeep early one morning, yelling over the din of the engine. Fat bugs streamed through the air towards us like fighter jets, splattering on the windscreen and leaving a trail of multi-coloured streaks on the glass. The landscape, swathes of brick-red earth and explosive greens, might have been uninhabited save for tell-tale streams of rubbish flung out of bus windows or dumped by the side of the road.

In San Ignacio Guazú, home to a stoop-backed Irish priest whose years in South America had not dented his creamy accent, was an old Jesuit workshop where Indians once were taught to write their own language.

The attached museum contained extraordinarily delicate carvings fashioned out of wood by Indian craftsmen, who scaled up miniatures of saints and religious icons brought by the Jesuits from Europe. They are some of the few that have survived the rigours of Paraguay's stormy history and the humidity of its stormy climate.

Back in Asunción, the waiter in an American-style diner was holding forth on Paraguay's latest novelty – democracy. He was standing behind a semi-circular bar lined with bottles of ketchup and other doubtful-looking sauces. "I was born in a dictatorship. I grew up in a dictatorship. And I grew old in a dictatorship," he said, measuring out his phrases in even portions.

Outside the diner, as if in response to his soliloquy, a tree full of insects began to chirp, like an electric generator. "It's going to take us a while to learn what democracy is all about," the waiter continued.

He had an anecdote prepared. "Take my neighbours." It transpired that the people who lived in his street had taken to playing loud music at inconvenient times. "Twenty-four hours a day they make that racket," he said, ladling out another phrase. "But whenever I go over to complain, they tell me: 'We're living in a democracy now. We can do what we like'."

He paused for dramatic effect. "That's not democracy. That's stupidness." The insects stopped buzzing. "It's going to take us a while to get this thing right."

Go Baltic while there's time

John Westbrooke *finds that western influence is affecting Russia's former satellites*

For a few months, Estonia, Latvia and Lithuania were on the front pages, pulling out of the crumbling Soviet Union on a last-in-first-out basis ... then they were gone again, their news value usurped by bloodier conflicts.

So, the three new Baltic nations were reborn quietly; few people were aware of them before, and few are now. Go there and you will seldom see another tourist: just rolling farmland, birch forests and unexpectedly fine cities.

Tallinn, Estonia's capital, is the most picturesque, with medieval alleys winding up Toompea hill, heart of the Old Town, its skyline punctuated by slender church spires and stout defensive towers: Arrow Sharpener Tower, Fat Margaret Tower, Peek into the Kitchens Tower. If you do not feel like walking, a little blue tourist train called Toomas will carry you.

From the top you can see out over the town, or across the Gulf of Finland towards Helsinki. The Finns and Estonians are related and so are their languages, which specialise in double letters (the television in our *hotell* offered *erootic* films).

The locals claim to be sober, hard-working Lutherans. Our guidebook informed us, sagely that "an Estonian knows that 'more people drown in a glass of spirits than in the sea" and that "an inn is the Devil's chapel". Interesting, if true. They would be the only teetotallers north of Watford. We found them polite and helpful although few spoke English.

In the post-Soviet economic confusion, crime has spread alarmingly. "Not all you read [about safety] in the Financial Times ... should be taken too seriously," cautions Tallinn's *City Paper*, only to admit a few pages later that its murder rate is higher than Detroit's. Take comfort, though: it is mostly gangsters killing one another.

Riga, capital of Latvia, is much bigger. With nearly 1m people, most of them Russians, it was a major Soviet port. At ground level, it feels a solid city full of worthy stone edifices recalling 19th century bourgeois respectability. There are even some old Zeppelin hangars, now housing the town market. The delight is in the details: this is an art nouveau city to equal Prague or Vienna, and some 800 buildings reflect Jugendstil in big ways or small. Many were designed by Mikhail Eisenstein, father of film director Sergei – Rigans both.

If Riga seems a bit run down after years of Soviet neglect, this has spared it the wholesale destruction of historic areas visited on western towns. It still has a big-city bustle. We watched in surprise one evening as two drunks fought to a standstill while a police car trundled up.

The next day in Vilnius, capital of Lithuania, another drunken brawl; this time, the loser was pushed through a shop window. Something must be wrong here: 15 years in London and I have never seen a real punch-up; in the Baltics, two in two days. We should not read too much into anecdote and coincidence, no doubt, but it is hard not to suspect a great deal of anger and bewilderment under the surface as people wonder where their countries go next.

There are memorials outside Vilnius's parliament to those who died in a last-gasp Soviet attack in 1991; but since the euphoria of independence wore off, politics has reflected the same disorientation, with voters seemingly torn between desire for reform and nostalgia for the good old, *safe* old days of Soviet hegemony.

Having been Europe's last pagans, until 1386, the Lithuanians are now mostly Catholics, like the Poles to the south rather than their fellow Balts. Under Moscow's rule, most of Vilnius's baroque churches were re-assigned. St John's, the handsome university church, became a museum of scientific thought. The domed St Casimir's, dedicated to the country's patron saint, was a museum of atheism. The neo-classical cathedral – dating from 1387, on a site devoted only a year earlier to the thunder god Perkunas – became an art gallery. Symbolically, it was the first one reconsecrated.

Modern Vilnius, a green and pleasant town, can have changed little in the past 200 years and is being rebuilt energetically. It even offers what is reputed to be the best restaurant in the Baltics, Stikliai. Like the other capitals, though, it still looks Soviet-poor: half-empty shops, half-deserted roads. Outside town, the motorway passes log cabins, horse-drawn ploughs and head-scarved women working in the fields.

None of the Baltic states is ready for mass tourism. Intourist, the Soviet state operator, used to be king. Its hotels – graceless 20-storey slabs – are still there. Their views are splendid, partly because they are the only places in town from which you cannot see the Intourist hotels. But they are now run locally and Intourist is just another client.

Sometimes, the same unhelpful staff have lingered on, saying *nyet* to everything. All you can do is mutter, and give up. But the rooms are comfortable and the food filling and the Lietuva was said to have the only hot water in Vilnius.

Our Intourist chaperon was a pleasant chap, but he spoke none of the languages and had not been there since independence. So, it was without his help that we spent an entertaining morning watching folk dancing at an open-air museum outside Tallinn – brassy music and colourful costumes, all done for their own pleasure and not for non-existent tourists.

Baltic guidebooks are scarce: a colourful Insight guide and a chunk of Lonely Planet's Scandinavia book seemed best. Maps are available locally; so is *Vilnius in Your Pocket*, a sardonically chatty bi-monthly full of arcane advice (police are tough on drink-driving, but the town's only breath analyser has no mouthpiece).

As in Russia itself, streets are reverting to pre-socialist names. Local languages, always important to the nationalist movements, are being re-asserted; Lithuanian, close to Latvian, is said by some philologists to be Sanskrit's nearest living relative. New currencies have arrived: the lats, the litas and the Estonian kroon, a hard currency tied to the D-Mark.

The Russians themselves are still there, a source of continuing friction. Estonian and Latvian attempts to disenfranchise the thousands of settlers who do not speak the local tongue have not gone down well in Moscow. But Russian displeasure no longer means tanks in the high street next day. In their own ways, the Baltics are heading westward. Best see them now, before they get there.

■ *Operators offering Baltic tours include Intourist (tel. 071-538 3202); Instone (081-983 0204); Finlandia (071-409 7334) and Regent (0272-211711).*

A small folk dancer in Tallinn, the most picturesque of the Baltic capitals

Please, sir – you don't speak English very well

Mark Hodson *eats burnt eggs on a beach near Saigon and then finds Vietnamese schoolchildren don't think much of his accent*

IT IS not every day in Vietnam that you are invited to eat a cooked breakfast while watching the sun rise over the South China Sea. It even seemed worth the agony of getting up at 5.30.

I arrived on the beach thinking it would be deserted. The previous afternoon, there had been just a handful of Saigon businessmen lying around on deck chairs wearing suits and ties. But by 6am, the mist was rising over the town of Nha Trang to reveal dozens of people, young and old, jogging up and down the sand, swimming and practising *tai chi*.

Children in neat school uniforms played badminton without racquets, kicking the shuttlecock studiously over an imaginary net. Loud-hailers strung on lamp posts screamed out tinny tunes and workers' slogans.

When I got to his café, Chieu yelped with excitement and ran over to shake my hand. "I'm so glad you came," he said. "Sit down. I have coffee and eggs. Yes, eggs!"

I was just in time to see the sun rise over the slick, grey water. The palm-lined beach stretched out of eyeshot in brochure-mocking perfection. Women wearing conical rice hats and scarves tied over their mouths swept the sand with long witches' brooms.

An old man propped his bicycle against a tree and stood facing out to sea. Then, with great ceremony, he reached to the sky before bending to touch his toes.

Breakfast was not going so well. I heard shouting from the kitchen and Chieu's friend came out to explain that they had forgotten the bread. He was very, very sorry. He would go and buy some. I assured him I was in no hurry but the eggs appeared within seconds, conspiring to be both burnt and under-cooked.

Chieu's friend stayed to make sure I was enjoying them. I nodded furiously and, between smiles, tried to force down the eggs. Ten minutes later, the bread arrived: warm, oven-fresh baguettes.

The cutlery and plate were made of aluminium. At the end of the war, thousands of pieces of abandoned military hardware were re-fashioned into basic commodities; even today, scrap metal remains one of the country's most important industries. Of all the legacies left by the Americans, this seemed the most bizarre: eating off plates that began life as aircraft parts.

By the time the coffee arrived, the sun had risen high in the sky and the badminton players had gone to school. Chieu joined me for the customary tea chaser that follows the strong, gritty Vietnamese coffee.

A dejected-looking man with a battered Pentax strolled over and asked if he could take my picture. It would cost me 15p. He was one of a dozen photographers who worked the beach, often outnumbering the tourists.

He told me he had been a helicopter pilot during the war, fighting with the Americans. "I was a lootenant," he announced in a thick Brooklyn accent. Before the war he had taught architecture, but now he was forbidden to take a white-collar job.

Later that day, I was back on the beach when a small man wearing thick glasses and a shabby black suit raced after me. "May I please ask where you are going?" he asked.

This was stunningly polite by Vietnamese standards. I had become used to shouts of "You!" and "Lien Xo!" ("Soviet!") which children yell at all westerners, mistaking them for Russian advisers. I told him I was just walking.

"So you are English," he beamed. "I can recognise your accent. I often listen to the World Service of the BBC. What are you doing in Vietnam?" I said I was a tourist and he looked pleased, nodding and smiling. "You are very welcome to my country," he said. "My name is Dung."

Dung (pronounced *Yoom*) was 36, married with three children, and taught at a secondary school. He earned about £3.50 a month at the prevailing exchange rate and lived with his family in one room at the school. Dung topped up his income by translating articles from foreign newspapers.

"Teaching is a good job," he said. "I am very lucky."

Next day, I visited Dung's school and sat at the back of an open-air classroom as he gave an English lesson. He read from a tatty, 1960s American textbook, reciting phrases which his pupils would then repeat. That was the lesson.

He asked me to take over. Under the watchful gaze of Ho Chi Minh, whose photograph was pinned above my head, I stood in front of 40 wide-eyed teenagers and read out a description of how American children celebrate Christmas.

The pupils responded flawlessly, chanting their lines on cue: "We find our presents. Under the tree." But when I tried to chat with them individually, asking their names and ages, I drew a blank. They stood sharply to attention but said nothing. Later, I asked Dung about this. He seemed embarrassed.

"I'm very sorry," he said. "They have never heard English spoken by an English person. Please do not be offended, but they said your accent was not very good."

■ *A useful brochure is that of the specialist company Asia Voyages, which features 19 countries. It says prices for 1994 are in many cases similar to 1993 and that, if customers wish to vary their hotels, use different airlines or alter their itineraries, this can generally be arranged.*

Of Vietnam, it says: "The infrastructure is very poor, particularly outside Saigon and Hanoi, and you can expect very basic accommodation and simplistic food. Domestic flights are often over-booked, delayed and even cancelled, which can mean last-minute adjustments ... However, the Vietnamese are very friendly and the dramatic scenery and ... sights more than compensate for the discomfort and inconvenience."

Other countries covered in its new brochure include Bhutan, Burma, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Laos, Malaysia, Maldives, Nepal, Philippines, Singapore, Sri Lanka, Taiwan and Thailand.

Asia Voyages is at 230 Station Road, Addlestone, Surrey KT15 2PH (tel. 0932-820 050).

DESPATCHES

The night that friends turned into murderers

***Gillian Tett** thought she knew the gentle people of a valley in Tajikistan. But that was before civil war set neighbour against neighbour*

I thought I had misheard my friend Jamila when she said: "They took the men out and killed them ...." For a few seconds, the words hung in the air while I stared in shock. On my lap, Jamila's little daughter was putting muddy fingerprints all over my notebook. In one corner of the village house, a television was playing spangly Iranian pop music. But Jamila herself was terribly still.

"You killed them? Dead?" I asked, stupidly.

Jamila thought I had not understood. She drew a flour-covered finger across her throat. "Dead, dead," she repeated slowly, in Russian instead of her native Tajik. Uncomprehending, her little daughter mimicked her.

"Do they do that type of thing in England?" asked Jamila, slowly. I did not know how to reply.

When I set out from Moscow to visit this remote village in Tajikistan, where I had spent 12 months working as an anthropologist, I expected the worst. In England during the past year, I had heard bits and pieces about the vicious civil war there and knew it was unlikely my friends in this valley had escaped entirely. Indeed, I arrived suspecting they might have been victims.

But *killers?* That had never occurred to me.

These people did not match the wild television pictures that I had seen from Georgia, Azerbaijan, Afghanistan or Bosnia. They seemed simply too ordinary and kind to be really violent.

At least, they had when I sat with them during a winter gossiping, laughing, and watching the raunchy, Russian-dubbed Mexican television soap operas to which they were so addicted; and then travelled with them in the summer to their mountain pastures where I got thoroughly sunburnt while they tended their goats.

When, 18 months before, I met a group of villagers during a demonstration in the Tajik capital, Dushanbe, they were clutching shopping lists, not rifles. And although I wondered occasionally what was happening on the ground, I could never match the news reports mentally with my photographs and memories.

But then, sitting in a pizza restaurant in Moscow a few weeks earlier, I heard something that alarmed me. A Dutch diplomat, who had been monitoring the civil war, mentioned casually that the valley had been captured by anti-communist forces.

That hit me with a jolt. Then, and even worse, I realised that, since my friends generally were pro-communist, they would have been the first to be killed if the opposition really had taken control.

I flew to Dushanbe immediately and began to ask questions. The city, once as green and calm as a central Asian Milton Keynes, was scarred by war. Russian troops and aid workers had overrun the hotels. A chronic fuel shortage had brought the cars to a standstill and people were too scared to go out after 4pm.

Since no one seemed to know what had happened to the village. I took a car into the mountains with a driver and his son who declared, cheerfully, that he was a martial arts expert. As we bumped along the devastated road, I asked for news. Why were all the bridges in the area destroyed? Was it fighting?

"Just earthquakes," he said, scornfully – and I felt a little foolish.

And when, finally, I arrived in the village, it seemed for a few minutes that nothing had changed. A roadblock had been set up, but the goats were wandering around as usual. And although the opposition had passed through the mountains, scaring the shepherds and stealing some horses, only a few people had been killed.

I concluded, a little smugly, that I had been right all along – these simply were not violent people. Then, when I had been plied with more plates of mutton soup than I could possibly eat, I stopped to see Jamila (for obvious reasons, not her real name).

She is an elegantly featured and intelligent woman who often had lively debates with me about Gorbachev and Britain's former prime minister, Margaret Thatcher. When once I showed her an English coin she asked me, admiringly, if that was Thatcher's head on it.

This time, however, she started talking about the Pamiris. At first I hardly listened. Although the Pamiri people, who generally supported the opposition, had been among the biggest victims of the civil war, they lived far away – in the Pamir mountains at the foot of the Hindu Kush.

A handful also lived in this particular valley, but they had been there so long that the Tajiks worked with them, ate with them and went to their weddings. To the casual observer they seemed identical to the villagers.

Indeed, one particular Pamiri boy, who looked like James Dean and had a highly suggestive swagger, was considered a heart throb by many of the village girls.

"They took the Pamiris," Jamila told me, slowly. Then she began a monologue so intense that I suspect she had never voiced it before.

Her story was this. One day, after months of fighting, isolation and fear, government forces entered the valley. They asked Jamila's husband and the other village men to find the Pamiris.

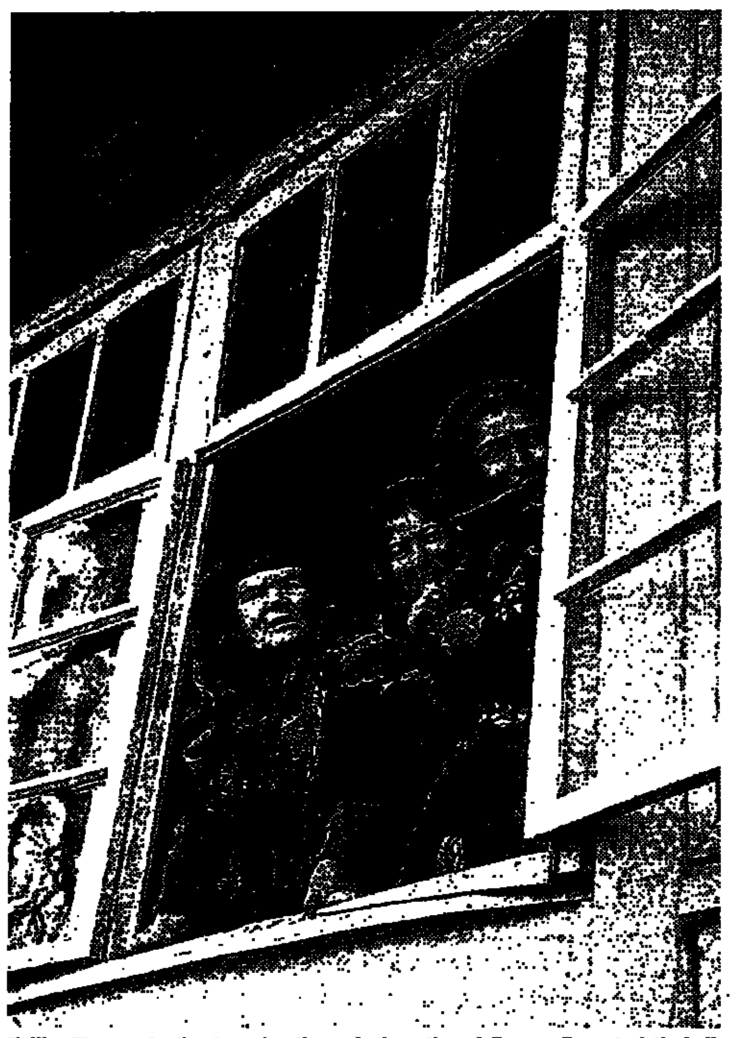
Terrified, the Tajiks descended on the houses of their Pamiri neighbours. And then, as darkness fell, they took them up into the hills and killed them.

Exactly how they died, Jamila did not say. But the detail that kept recurring to me was that, when the Tajiks walked into their houses, the Pamiris had cheerfully asked them to stay for supper. I wondered if the James Dean lookalike had been there – and, if so, at what point he had realised his fate.

"But *why*? Why them?" I asked. "These are ordinary people!" I wanted to shout, and then wondered how many thousands of other wives were now sitting in Tajikistan, Georgia, Azerbaijan or Bosnia, hugging their own untold stories of fear, madness and a terrible night when they had turned on their neighbours.

Jamila did not answer. Probably she couldn't. Instead, she said only: "What happened was very, very bad. They did not deserve it." Later, when her daughter had gone out to play, she cried quietly.

Perhaps she was mourning for the village that, only two years ago, had been so quiet. I like to think she was crying also for the dead Pamiris. Above all, though, I know she was grieving with a terrible fear – because she knows that, if the Pamiris ever return, the next victim of the killing could be her husband.



Tajik villagers in the happier times before the civil war disrupted their lives. Villagers such as these have now been caught up in a cycle of ethnic hatred and fear.

As They Say in Europe / James Morgan

Dutch trick or treat for the Germans

One problem the British scarcely worry about is what they call people from the Netherlands. They have been calling them "Dutch" forever, but the Dutch started to use it to mean the Germans, and not themselves, around 1600.

Schoolchildren in the Netherlands are usually asked, after their first English lesson, "Are you Dutch?" They immediately yell that they are not. Maybe this is what makes them anxious to ensure nobody mistakes them for Germans.

I recall such a moment at a press conference where a Dutch finance minister, I think it was Onno Ruding, was asked what he would do if he were running the Bundesbank. (There was one of the usual rows about German interest rates going on at the time.) "Never ask a Dutchman what he would do if he were a German," was the reply.

But things are changing in the Netherlands, maybe. At the end of last month, the weekly, *Vrij Nederland*, ran a long piece headed "On our knees before Germany".

It was a mildly critical study of a new German-friendly tone in Dutch official policy. "Is a taboo against the Federal Republic being lifted? The new *Deutschfreundlichkeit* is on the map."

Now it is widely believed that it is the British who are mainly responsible for sustaining an anachronistic image of the Germans as scarred, monocle-wearing, swastika-covered thugs.

The truth of the matter is that it is only the British who make jokes and draw cartoons inspired by such figures.

But it seems the Dutch share the same stereotype: *Vrij Nederland* says that the only bit of German history Dutch pupils learn is the bit between 1933 and 1945.

Today, however, Germany is "in" – in political circles at least.

The weekly newspaper reported that the nation's top diplomat, given the choice between taking over the Bonn or Washington embassy, took the one that mattered, Bonn.

A new, friendlier atmosphere has been made possible because of the retirement of Hans-Dietrich Genscher as German foreign minister and the transition of his Dutch opposite number, Hans Van den Broek, to the Brussels commission. It seems that they did not like each other (I bet you did not know that.)

Germans have no idea what the Dutch think, until their football teams meet and Dutch fans show their backsides

But none of this has seeped down to the Dutchman in the street.

One official told the paper, "If you say your daughter is going as an *au pair* to Paris, everyone says, 'Fine'. Even better if you say she is off to the US. To Lausanne is good.

"But if your daughter is going to Berlin, everyone says, 'What – *au pair* in Berlin!'"

And, it seems, when Dutch young people meet young Germans they speak to each other in Pidgin English. Which is hard to believe for anyone who thinks of Dutch as just a version of German. The Dutch writer, Harry Mulisch, once wrote, "The Germans and Dutch stand together, back to back."

The latter have looked traditionally to Britain but might have to stand the other way now, for the British are partly responsible for the changes taking place in Dutch policy.

"England has turned its back on Europe ... and we have to make ourselves more European," said a former ambassador to Nato.

This is all quite interesting stuff, but not as interesting as the German reaction: *Vrij Nederland* aroused sombre comment.

Apart from the title ("On our knees ...") it was not a hostile piece. But instead of being pleased about the new turn in Dutch official attitudes, a writer in the *Frankfurter Allgemeine* took it all rather grimly.

"Between Germany and Holland there should rule the closest friendship." Fortunately this is meant ironically: Germans no longer believe in the concept of compulsory friendship.

The article continued with typical pessimism: "There could exist between Germany and Holland the paradoxical relationship which existed between the old socialist 'fraternal countries': at the highest political level, an ostentatious friendship, while the people still show mutual distrust and want to know nothing of each other."

Actually this is quite false on one side at least: the Germans like the Dutch and have no idea how they feel. At least, not until the German national team plays football against the Netherlands, when the Dutch spit or show their backsides to German supporters.

The few Germans who take note of Dutch attitudes seem to believe that they are formed by constant reading of the diary of Anne Frank and school visits to Nazi deportation camps.

The Dutch education minister went to Bonn three months ago to say he was really trying to give his youngsters a wider view.

The trouble is, in fact, that so much, not only in the Netherlands, is defined by the German relationship.

After all *Vrij Nederland* means, as you will have guessed, Free Netherlands. "Free from what?" I ask Dutch friends. "*Van de Duitsers*, from the Germans, of course," they reply.

■ *James Morgan is economics correspondent of the BBC World Service.*

Thinking small: Dr Malcolm Gower, chairman of Exitech, and Dr Phil Rumsby the managing director, make lasers which can cut notches in a human hair

Ashley Ashwood

Minding Your Own Business

The cutting edge of science

Clive Fewins meets two physicists who turned their knowledge of lasers into a business

When Dr Malcolm Gower looks at newspaper advertisements for the correction of short-sightedness by surgery with laser beams, he wonders whether he could have been a millionaire by now.

Nine years ago, soon after he and fellow physicist Dr Phil Rumsby had started Exitech, the future seemed mapped out.

However, instead of plunging into the lucrative world of consumer optics, the two men decided to concentrate on micromachining across a variety of applications, using extremely precise excimer lasers, in which they are international authorities.

Nowadays Gower and Rumsby travel the world, and visitors from many countries come to the rural Oxfordshire headquarters of what chairman Dr Gower calls "the world's most precise hole boring operation".

An example of what this means can be seen in the company's display area. A photograph taken with an electron microscope shows how Exitech lasers can cut precise notches in a strand of human hair.

In an adjoining laboratory, there is a small production line for a commercial customer where a laser bores microscopic holes into catheters for blood monitoring in babies.

This batch work earns Exitech £100,000 a year. It undertakes similar work for the electronics industry, inserting almost invisible "gratings" or windows into optical fibres, to convert them into optical sensors which measure temperature and stress changes.

In 1985, shortly after Gower and Rumsby, had formed Exitech in a former slaughterhouse building in Oxford, they were asked by a London ophthalmology professor to explore the use of lasers to correct short-sightedness.

They successfully researched the use of lasers for corneal sculpting – now a widely advertised private treatment – but decided against developing equipment for that application.

"We thought very hard about it but decided that the amount of money involved in developing the equipment would have meant seeking major outside investment – something we did not want to do at that stage," Gower said. "The potential was vast but it was too early in the company's history. We would have lost control of Exitech."

Instead the pair continued to work at the place where they met, the Rutherford Appleton Laboratory in nearby Abingdon for several more years.

"We agreed that we should always grow the business out of profits," Gower said. "Our borrowings have never exceeded our overdraft limit, currently £150,000."

Exitech is still a research-based company, specialising in developing high powered short wavelength lasers to perform tasks that cannot be seen with the naked eye.

"Five of our 20 employees are PhDs and the majority of the others have science degrees. The Excimer lasers we use were only invented in 1975, and they are only just being used as industrial tools. Here we combine research that would not be out of place in a university with collaborative projects with major manufacturers," Gower said.

About 50 per cent of the company's £2m turnover comes from commercial contract research and development. About £150,000 a year comes from British government and EC projects. For these projects the company gains only 50 per cent funding, so it has to find half the cost itself.

"Generally we only get involved in part-funded projects that we would in any case want to undertake as a company," Gower said.

Exitech aims at 40 per cent profit on turnover, although Gower admits they have yet to hit that figure.

The company has expanded in the last three years, with the purchase of two more industrial units on the park where it is based, one of which is rented out to a hi-tech start-up company in which Exitech holds a 30 per cent share.

The main reason for the big expansion in the past three years is the Exitech Series 7000, a complete excimer laser microdrilling system. Each machine is built to order and sells for between £200,000 and £500,000. Exitech builds up to 12 a year.

"All the machines are designed and built here to the customer's specification. No two are the same," Gower said.

It needs a highly flexible workforce to switch from batch processing one day to assembling such a machine the next, but the team of research scientists, software specialists, designers and mechanical designers is able to cope.

"We tend to expand when we need to and when we see a market," Gower said. "Our market is so specific and our products so specialised that we can usually see the trends and can adapt ourselves accordingly. For a small company we probably do too many things and we are still not entirely clear about the best way of marketing ourselves.

"Our great strength is that we can move fast when we see a new technology. We can never beat the Japanese at manufacturing, but when we have innovative ideas we are good at explaining them to foreign customers, who are happy to come here for lengthy bench sessions."

About half Exitech's turnover comes from sales of the 7000 series machine. Gower and Rumsby are grateful that the percentage is no higher. Manufacturing such expensive machines creates problems of cash flow.

"Cash up front, even for a machine that might cost £500,000, is something that large multinationals are loath to supply to a small company on the other side of the world," he said.

"We have to live with this. We have had sticky moments when building a machine that costs £400,000 and face an immediate bill of half that amount for buying in components. However, the bank is usually sympathetic when we are in a huge cash flow trough.

"They have no doubts over our profitability, and have the comfort of knowing that we own our three buildings outright.

"There are many laser producers who would like to work closely with us, and we have good relationships with biomedical and electronic end users. It's nice to be liked."

■ *Exitech, Hanborough Park, Long Hanborough, Oxford OX8 8LH. 0993-883324.*

The Nature of Things

Superconductors hot up

Clive Cookson explains how trains will fly and computers read your mind

Here are some predictions for the year 2020. We will be travelling on magnetically levitated trains at 300mph. Power will be transmitted across continents without the smallest loss. Giant electric "batteries" will store enough emergency power to run a city for a whole day. Electronic sensors will be sensitive enough to follow your brainwaves as you think.

These innovations will all result from research into superconductivity, the abolition of any resistance to electric current – a kind of frictionless electric wire. The world's physicists have been working frenziedly on the phenomenon since 1986, when two Swiss scientists at International Business Machines' Zurich research centre discovered the first "high temperature superconductors".

In the excited aftermath of the discovery, commentators aroused inflated expectations about the speed with which the phenomenon could be put to practical use – and within three years they were expressing disappointment about the lack of progress.

In fact superconductivity research has moved pretty fast. All the applications originally foreseen are still in prospect and the technology stands on the brink of commercial exploitation.

Superconductivity has three important practical consequences:

■ Current can flow for ever round a superconducting circuit. This is the basis of proposed power engineering applications, such as no-loss electricity cables, and huge "battery" coils to store energy for use at peak periods.

■ Superconductors can generate intense magnetic fields of their own and strongly repel external magnetic fields. These forces are powerful enough to lift a train off the track and propel it at 300mph.

■ On the micro-scale, electrons can jump instantaneously between two superconducting components. This so-called Josephson effect could be used to build portable supercomputers, millions of times faster than the present generation. It is also the basis of the Squid (superconducting quantum interference device) which detects tiny changes in external magnetic fields, such as those produced in our brains when we think.

Scientists discovered superconductivity in 1911 in mercury cooled by liquid helium to -269°C. That is just four degrees above the lowest temperature conceivably possible (absolute zero) at which all molecular movement is stilled. For 75 years scientists experimented with other metals and alloys in an effort to achieve superconductivity at higher – and therefore potentially more useful – temperatures. By 1986 the highest recorded superconducting temperature had crept up to -250°C, which still required expensive helium cooling.

Then Karl Müller and Johann Bednorz made the breakthrough for which they won a Nobel prize in 1987. They created a ceramic material – quite different from conventional metal superconductors – that lost its resistance at -243°C. The 7°C improvement may not sound much but it excited the world's physicists, who saw the scope for pushing superconductivity to much higher temperatures by playing with the composition of these ceramics.

Confirmed superconducting temperatures leaped to -180°C in 1987 and -146°C in 1988. The current record is -140°C in an oxide of mercury, barium, calcium and copper, though there were unverified reports two months ago of superconductivity at -23°C – tantalisingly close to the target of room temperature superconductors.

Already, however, the proven materials are comfortably above -196°C, the temperature of liquid nitrogen, an industrial coolant which costs less than milk.

So why are they not in widespread use already? In the first place, the ceramics are fragile materials – far more difficult to work with than the metals and semiconductors so far used in electrical and electronic engineering. A particular problem is to make sure the individual grains within the ceramic are aligned in a way that does not interrupt the flow of electricity.

A second difficulty is that the ceramics have maddeningly unpredictable magnetic properties. They are apt to lose their superconductivity when carrying large currents or in the presence of a strong external magnetic field.

Even so, the current carrying capacity of superconducting ceramic wires is increasing rapidly. American Superconductor – one of several companies started in the US with venture capital to exploit the technology – recently made a prototype cable carry 2,300 amps over a metre, enough to supply a steel mill.

But the first commercial ceramic superconductors are at the other end of the scale: electronic devices made from material laid down in microscopically thin layers. Early models are being used for military purposes in the US, but the civil telecommunications industry is expected to start buying them later this year.

It took 10 to 15 years for two of the 20th century's other key physical discoveries, the transistor and the laser, to find widespread application.

The real disappointment is at the theoretical rather than the practical level. Scientists do not really understand how the materials can carry current without resistance at such "high" temperatures. The answer has something to do with their banded structure. Another Nobel prize is waiting for anyone who comes up with a comprehensive theory of superconductivity.

SPORT / MOTORING

Rugby Union/Five Nations

Twickenham without beers

***Tom Fort** used to spend lunch in a pub and the match in agony. He is wiser now*

In my feckless youth, the notion that international day required strategic planning never entered my head. We simply went to a pub – any pub – and drank beer until it was time to go to the match. Afterwards we went to a pub – any pub – and drank beer until it closed, or we could drink no more. We went home feeling hilarious, woke up feeling vile, and ran it off on the rugby field on Sunday afternoon.

With the passing of years, shortcomings were exposed in this approach. Increasingly the prematch pub side of things palled. You would stand for ages crushed on all sides by red-faced prop forwards and hulking second row men, deafened by patriotic bawling and thunderous denunciations of selectorial idiocy. Fighting your way to the bar was bad enough; getting back to your chums without pouring the ale down someone's neck required an improbable degree of resilience and dexterity.

Then there was the matter of the bladder, which I will not go into in detail for fear of giving offence. Suffice it to say that of the 50,000 or so attending a rugby international, three-fifths at a conservative estimate will arrive with bladders full; that of these, three fifths will need to relieve themselves again before the game is over; that no sporting arena on earth boasts the facilities to cope with such demands; and that the inevitable consequences are distasteful to sensitive souls like myself.

In addition, in those days we used to stand, and once you are jammed into the crowd there is simply no escape however urgent the desire to do so. I shudder at the memories.

Twenty years ago, we went to see England play France at Twickenham. As always, it was the game of the season, and we had standing tickets for the east side enclosure. We made our way first to the Orange Tree at Richmond. It was my eldest brother's first trip to Twickenham, and I advised him to restrict himself to a couple of pints.

In the annoying way eldest brothers have, he ignored me and drank six. We got the the ground in good time, and by the time the ref blew his whistle, we had battled our way to a first rate vantage point on the halfway line. Scarcely was the ball in the air than my brother gave an anguished cry. He turned, was swallowed by the throng, and was not seen again that day.

Paris showed us there could be a better way. In the absence of heaving pubs, we developed the habit of lunching expansively on oysters, andouillettes, choucroute and wine at the Brasserie Du Gard Du Nord, before travelling in orderly fashion to the cauldron of frenzy known as Parc des Princes. Afterwards, admittedly having had a beer or three somewhere, we would dine in a Michelin approved restaurant and discuss the match like the civilised men we were.

We decided to see if we could duplicate this refinement in west London. Another of my brothers, a man steeped in foodyism, was deputed to find somewhere suitable. He took us to a little restaurant called well, actually I don't think I will tell you, for obvious reasons.

It is close to a railway station, and opposite a tolerable pub, for those unable entirely to shake off the old ways.

The advantages are that the crowds are absent, and there is parking, and peace.

The restaurant is a rum establishment. It opens only at lunchtime, and has no licence which makes it extremely cheap, as you bring your own wine. The dishes have not changed in a dozen years. Each time, I seem to eat liver in the provençale style, and each time I think what a thoroughly decent dish it is.

There we gather, eat, drink, explore shared memories, organise the sweepstake on the score, analyse the prospects, make a certain amount of noise but not too much, I trust.

Then to the match, with passably clear heads and blessedly unstrained bladders; then to the pub, where the scene tends to become somewhat less decorous, and sometimes not decorous at all; then home by train and taxi.

In all this there is the satisfaction of having a good day, without behaving like an oaf. It is a pleasing routine, which lightens the darkness of dreary winter. And never let anyone try to kid you that sitting at home and watching the game on TV can come within a mile of matching it.

Playing for kicks: scrum half Kyran Bracken puts the boot in for England. Rule changes have rewarded kicking, making it more American football than rugby football

Chris Cole/Allsports

What England expects

***Derek Wyatt** looks forward to a tactical battle at Twickenham*

England began last year's Five Nations Championship with a one point win against France 16-15 and then lost by a point to Wales 9-10. If justice has anything to do with rugby, England would have lost to France and beaten Wales. The loss to Wales showed that Will Carling could not think on his feet.

Two weeks ago against Scotland it was the same story. This time it was not just Carling who failed to read the game but his lieutenant Brian Moore, who led the pack. Time and again, Neil Back was exposed at the end of the line-out; time and again the Scots cut off the route from Kyren Bracken, the scrum half, to Rob Andrew, the fly half, and lured Bracken into unsupported runs before ambushing him.

In recent years the public has revised its expectations from England always winning, to England always winning with something in reserve. This afternoon a one-point win for England over Ireland at Twickenham will count as a national disaster. The team must not only beat the Irish, but must beat them comprehensively; for the England management has decided that this is the side that will beat France, the strongest team in the competition, in Paris in a fortnight.

England's back play is constipated. I am tired of reading that the new laws make it more difficult for the three quarters. At the Parc des Prince in October, in the Second Test between France and Australia, Michael Lynagh destroyed the French side by running and attacking them whenever he had the ball in his hands. He hardly kicked at all.

Only Stuart Barnes and Mike Catt, both of Bath, can follow Lynagh's example for England. Rob Andrew has a fine pedigree but his game has always lacked vision.

Ireland will follow Scotland's lead and bombard Jon Callard with Garryowens. Neither of the Underwoods is secure under high balls and Callard, who remained largely untested against New Zealand, struggled when Scotland used this ploy. I would have preferred Ian Hunter to play on the right wing to act as a sweeper for Callard or even to switch with him in certain circumstances. Gone are the days when wingers just stayed on their wings.

Tony Underwood missed a try against the All Blacks by carrying the ball under the wrong arm so he could not hand-off his tackler. He did it again in the Scotland game and again missed a try. He is fortunate the selectors have such patience. In player parlance, he owes England one: in my book, he owes England two.

For Ireland, Eric Elwood has been magnificent. Magnificent at kicking that is. But the Irish strategy is hard to read. Elwood will soon be compared to an illustrious predecessor, Tony Ward, who was frequently criticised for playing just a kicking game. Will Elwood be allowed to play a wider game and is he capable of it? Poor Simon Geoghegan – the Irish winger must be starting to feel a forgotten man.

Against France, Ireland had one tactic: to kick the ball over the French defensive lines. It failed but they went on playing that way and appeared happy for Elwood to kick goals. Even though these tactics lost against France and Wales, I doubt that they will be any different at Twickenham.

The French take an unchanged side to Cardiff where they have not lost to Wales since 1982. The French front five is one of the heaviest in rugby history, but the back row of Abdelatif Benazzi, Philippe Benetton and Marc Cecillon could be severely tested. All three are specialist No 8s picked for the lineout in spite of their lack of mobility in the loose.

The Welsh had done the psychologically difficult bit – they won their opening game against Scotland and followed it up with a composed win against Ireland. But their chance for their first Grand Slam since 1978, has been undermined by injuries to their backs.

The shortage of tries and the increased importance of penalties, such as the controversial kick for handling in a ruck that gave England victory over Scotland, have exercised the rugby world this past fortnight. Since rugby is supposed to be a handling game, I do not understand why it is an offence to handle in the rucks, provided the player is not preventing the ball being played.

The laws governing penalties are a muddle. The "double" penalty that allows sides to kick to touch and still gain the throw in has made lineouts even more important. From the line-out the fly half then kicks the ball up in the air in the hope of winning the scrum from the ensuing "turnover" maul or ruck. This is American football not rugby football.

The penalty laws have so changed the nature and balance of the game that the international laws committee should reverse them at the end of these championships. They could also add a rider that an offence committed in the "penalty" area of the defensive side's 22 should result in a penalty in front of the posts.

Olympics

TV's ice queens

Jurek Martin

CBS Television in particular, not to mention US sportswriting in general, really owes a lot to Tonya Harding. The venerable network, in the dumps after it was outbid by Rupert Murdoch's Fox for the contract to cover American football, cannot have had many hopes that the Winter Olympics in Lillehammer would be its salvation.

America has nothing against Norway and loves skiing. But a two-week diet of luge and biathlon never looked likely to quicken the pulse of the great American viewing public.

Tonya, the brat from the wrong side of the tracks, changed all this, because she is the melodramatic queen of the moment. It matters not a whit if she wins a skating medal, which she probably will not, nor even if her great rival Nancy Kerrigan does, which she may, thus warming a few hearts. The mere fact that Lillehammer brings the two together after all the charges that Tonya conspired to cripple Nancy is enough: it is soap opera incarnate.

This alone has justified the CBS approach to the Winter Olympics, which is designed to overcome a particular problem: that, because of the time difference, the results of almost every event are known even as Americans eat breakfast. Thus the Games have been treated less as a sporting spectacle, and more as a melodrama on the hypothesis that behind each competitor must lie a human interest story.

□□□

Now, some human interest stories are more interesting than others. There is only so much that can be extracted from the nobility of Norwegian speedskaters, even one as seriously noble as Johann Olav Koss. US competitors are better material, especially when they win – Tommy Moe, naturally of Norwegian extraction, and Diann Roffe-Steinrotter, in skiing and, after another tug-at-the-heartstrings failure, Dan Jansen in speedskating. But Tonya is in a league of her own and the ratings have soared.

The US writing press has occasionally taken refuge in non-Tonya subjects. Take Tony Kornheiser of the Washington Post on "the single dumbest Winter Olympic medal sport," mogul skiing. "Each run takes about 30 seconds, a perfect length of time for the audience they're aiming at – someone with the attention span of a barn owl."

Or Dave Barry, the syndicated columnist, on the news that some bobsledders took dope. "This is extremely alarming news, because it seems to suggest that there are bobsled competitors here who are *not* on dope. Let me just state that I, personally, would not consider going down a bobsled run unless huge quantities of narcotics were coursing through my bloodstream."

But even Barry has to come back to Tonya. "I want to stress, however, that I am not putting dangerous substances of any kind into my body, other than mass quantities of Norwegian beer, because I want to remain alert now that Tonya Harding is finally here. We in the American news media are so happy about this we want to hurl our hats in the air, but of course we don't, because our hair would freeze solid and break off like Number 8 spaghetti."

Motoring/**Stuart Marshall**

Renault's executive ploy

Renault's significant new model, the medium sized Laguna, makes its debut at the Geneva motor show in just over two weeks and arrives in British showrooms in April. Its appearance with right-hand steering so soon after the mainland European launch shows how seriously Renault takes the British market – especially sales to business users and company fleets.

Renault is having a product-led recovery in Britain where it sold just over 93,000 cars last year – its best performance since 1979. The Laguna, successor to the old Renault 21, will compete mainly with the Ford Mondeo, Opel Vectra (Vauxhall Cavalier in Britain), Peugeot 405 and Citroën Xantia. But it will also be an alternative to the British-made Nissan Primera, Honda Accord and Toyota Carina E.

Where does it stand against such strong opposition? At a probable price range of £10,500-£19,000, it should give any of them a run for their money.

The Laguna is son of the Safrane – Renault's large, executive-class car – and not a bigger version of the Renault 19. Along with the Xantia, it is the most distinctively styled vehicle in its class.

At present, there is just one body: a five-door hatchback that could be mistaken for a four-door saloon. But estate cars, including a family model with three rows of face-forward seats, are expected to follow soon.

To start with, only petrol engines will be offered – a 1.8-litre, 95 horsepower version and another of two litres and 115 horsepower, both with four cylinders, plus a V6 three-litre of 170 horsepower. But a 2.2-litre, 85hp diesel joins the range in Britain in October.

As a design, the Laguna breaks no moulds. It is a conventional, transverse-engined, front-wheel driven car. Five-speed manual transmission is standard on all but the UK-specification V6. This will come with a four-speed automatic, also available on the two-litre at extra cost. Its suspension uses MacPherson struts (combined coil spring and damper units) at the front and torsion bars at the rear.

Laguna landscape: the Renault should give rivals a run for their money

Four-cylinder models have front disc, rear drum brakes; the V6 has discs all round with ABS as standard, but this is an optional extra on all other Lagunas.

There are three trim levels, so buyers can pick and mix engines and interiors to arrive at a car that suits their pockets and tastes. Every Laguna has power-assisted steering, central locking and electric windows.

With up-market cars such as BMW, Mercedes-Benz and Rover in its sights, Renault UK is loading the V6 automatic with leather trim, air-conditioning, on-board computer and powered sun roof. Everything, in fact, to which the executive user has grown accustomed without unnecessary bulk.

The Laguna offers four people lounging space and would be tolerable for five. Its boot is among the largest in class.

In Tanzania this month, I drove 1.8-litre, two-litre and V6 three-litre Lagunas with manual transmission, and a two-pedal three-litre V6. No, not on dirt roads in the game reserves – these remain Land Rover territory – but mainly on stretches of pretty good tarmac which, one day, will form part of a Cape to Cairo highway.

All rode well and felt reassuringly solid. Renault says its aim was to make the Laguna feel like a German car and it does, although the seats are more yielding.

Having been assured there was no speed limit in Tanzania* outside the potholed, old banger-infested towns and villages, I gave the Lagunas their heads where it was safe. Even the 1.8-litre cruised quietly at more than 100mph (160kmh), and at 125mph (200kmh) the V6 felt relaxed with power in hand. For a combination of performance and economy, the two-litre was my favourite. It was considerably quicker off the mark than the 1.8 and pulled harder in fourth and fifth gears. It was agreeably nimble on winding hill roads, and the 65-series tyres rumbled only moderately on coarsely-textured surfaces.

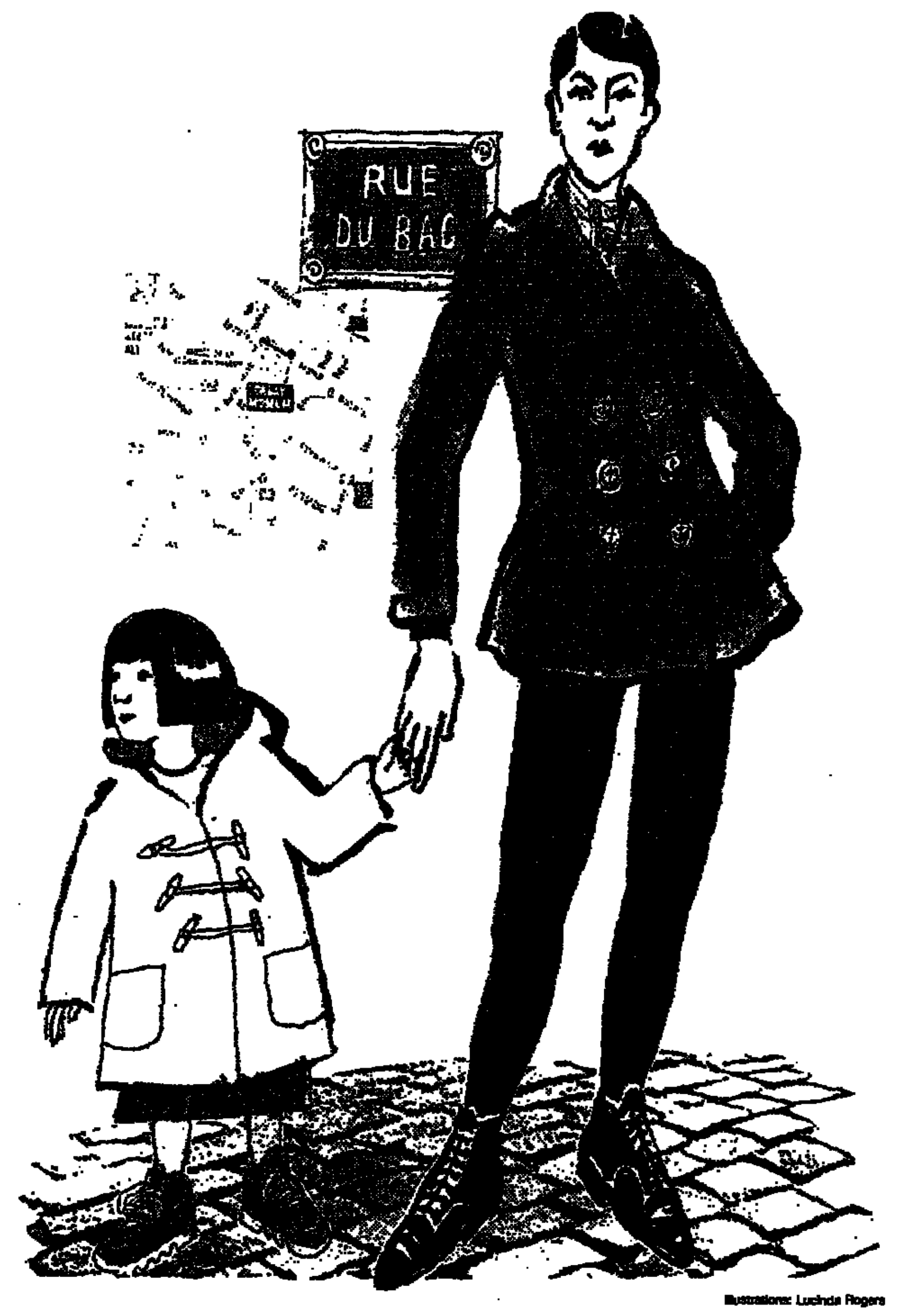
The figures suggest the fuel consumptions of the various models will be little different – an average 32-33mpg (8.82-8.56 l/100 km). But with temperatures at times around 40°C, what really set the various Laguna models apart was air-conditioning. In the two-litre and V6, it was appreciated – and sorely missed in the 1.8.

* Over a drink before flying home, an expatriate put me right. Tanzania has a 100kph speed limit – although few local vehicles seemed capable of much more than half that.

FASHION: THE GLOBAL WARDROBE – GOING SHOPPING

Brits know what works

In the third part of our series on dress codes around the world, FT writers look at how the people of five major cities dress to go shopping



Illustrations: Lucinda Rogers

PARIS

Alice Rawsthorn

On a Saturday afternoon in Paris there is only *one* place to go to see the French strolling around in their very best leisure clothes – the Conran Shop on rue du Bac.

It is there that you can spot the few Parisian families who have not fled to spend the weekend in their country homes. The children are a charming sight. The little girls racing around in Bon Point smocks under brightly-coloured duffle coats and the boys bundled up in Levi jeans with matching jackets.

Their mother's weekend uniform for this winter is a dark blue pea-coat, generally tossed over slim black leggings and shiny lace-up boots. The truly chic will have rummaged around their own mother's attics and the city's antique couture shops to unearth an original 1960s Yves Saint-Laurent pea-coat.

The merely fashionable will have settled for a nice new Prada pea-coat, often enlivened with an expertly twisted Hermès silk scarf. The young and funky will have trawled the flea markets to find authentic US Navy pea-coats in chunky wool with blue anchor buttons.

Fathers look as dapper at the weekend as they do on weekdays. Impeccably faded Levis, with jackets and open-neck shirts are the norm for the *bon chic bon genre* crowd in their 30s and 40s. Their groovier counterparts favour battered black leathers finished off with motorcycle boots.

President Mitterrand and Edouard Balladur, his prime minister, set the tone for the grandfathers' generation. They favour the traditional style of tweedy weekend clothes that the French always think look English, but are so smart they could only come from France.

The only blots on this stylish landscape are the sulky adolescents who may have been bullied into joining the family shop. Teenagers get a raw deal in France. The tedium of listening to the Euro-babble that passes for French pop music, coupled with the trauma of swotting for the baccalauréat, has produced a pallid, pimply crop of Gallic adolescents, generally lowering the sartorial tone in their colourless clothes.

LONDON

Brenda Polan

Britain may no longer be the nation of shopkeepers Napoleon held in such low regard but it is certainly a nation of shoppers. It has embraced the American concept of shopping as recreation, hobby, part-time profession and all-absorbing topic of conversation.

From department store to car boot sale, from designer boutique to Oxfam shop, the retail environment is home territory to Britons.

So canny, so well-informed, in fact, are modern British shoppers that they have learned most of the techniques the marketing men use on them, and use them back. They do it chiefly through dress, grooming and manner.

The weekly supermarket food shop, for instance, calls for dressing down, no lipstick and a *diffident-aggressive* manner. Flat shoes, jeans or a long skirt, an anorak or a Barbour make up the uniform.

The shopping mall day out, rather like the car boot sale, calls for something altogether more rugged. It is here that the shell suit and trainers come into their own as serious shoppers work the halls and corridors, the fast food joints and the caverns of the car park. Here there is less respect for others' space, a greater wariness and sense of competition.

This approach would, however, be useless in Bond Street or Knightsbridge. The British know that if they are not to be patronised or dismissed by upmarket sales assistants, they must dress up, preferably in smart, fashionable clothes which excite the sales assistant's label-conscious envy.

Here they cultivate a non-conciliatory manner, becoming demanding and capricious. Only when the assistant has succumbed and demonstrated the proper admiration and respect is any charm deployed.

In between these extremes are subtleties: the knowledgeable country tweed look for antique shops and the dowdy-duchess in ancient Burberry, brogues and Hermès scarf for the Bond Street jewellers. When they're shopping, the Brits know wha works.

NEW YORK

Patrick Harverson

If you want to know what New Yorkers wear when they shop, follow a simple rule: look where they are shopping.

At Bergdorf Goodman on Fifth Avenue, New York's wealthier women – Tom Wolfe's famed "social X-rays" – wear clothes from the store's collections. At Barneys, either uptown or downtown, the male shoppers dress the way they always have – like members of some kind of European cultural mafia. The women wear black and look grumpy.

A lot depends upon the season. In summer, anything will suffice so long as it is cool and comfortable. And with most of New York's movers and shakers out of the city between July and September, it doesn't really matter what you wear.

Winter, however, is different. This is the season for a show, and the show is rarely better than at Christmas.

Picture the scene: a very crowded Fifth Avenue on Christmas Eve. Amid the crush, a tall, elegantly dressed man, arms full of presents, hails a cab. He is wearing a Della Rovere cashmere sweater, woollen Dries Van Noten pants, and a flowing, warm green Ronaldus Shamask coat, topped off with a dashing trilby from Van Dyck Hatters of Greenwich Avenue.

As he departs, there is a glimpse of sensible dark socks from Brooks Brothers encased in sturdy John Lobb shoes, and the final sounds of the crunch of snow as he steps off the sidewalk into the cab heading east on 58th Street.

TOKYO

Michiyo Nakamoto

Shopping is becoming a less frequent activity for the Japanese, if the dismal retail sales figures are anything to go by.

Dressing for shopping, as a result, is a concern that preoccupies them less and less as there is no longer a compelling need to be seen dressed in the very best at all times.

One popular style among young women is the long skirt over boots, topped by a short jacket or big shawl and often a hat. This is new for Japan – there is a definite sense of no-nonsense, practical fashion, a far cry from the extravagance of the go-go years.

Style among shoppers tends to be different depending on where you shop. The staid Mitsukoshi and Takashimaya department stores in Nihonbashi, close to the Tokyo stock market and the main banking district, attract well-heeled women who prefer a conservative look of suits and twin sets.

Closer to the popular residential neighbourhoods, in Shibuya or Shinjuku, the department stores tend to attract a more casual clientele while in fashionable Aoyama, shoppers are keen to be seen in asymmetrical Yohji Yamamoto or Comme des Garçons outfits.

Most striking, however, is the emptiness of the designers' shops and how much more accommodating the shop assistants appear to be.

Department stores have also become more like small shopping malls with a variety of tenants, and are losing customers to supermarkets, downmarket shopping malls and discount stores where more attention is paid to price than to what people are wearing.

FRANKFURT

Chris Parkes

Down some alley off Frankfurt's *main Zeil* shopping drag – precise whereabouts unknown – there must be a workshop devoted to building Claudia Schiffer lookalikes.

They dot *the Zeil* every Saturday: skinny young girls with freshly-ironed hair and silly pouts. Recognisable by their uniform black flannel shorts, woolly grey tights and tight black tops, on colder days they trail flimsy black duster coats. But they never, ever, carry shopping bags. Their purpose, it seems, is purely decorative.

Which is just as well. Others among the weekend hordes are purposeful to the point of obsession. Their aim is to go about their business before the shutters go up at lunchtime in honour of Germany's daft laws governing shopping hours.

Ladies flit from store to store in crisp red blazers and black pants. Young men wander aimlessly in dense felty jackets and the obligatory jeans before wandering off to lunch.

Saturday is the best time of all to see Frankfurters clad in their infinite variety. A quarter of the permanent population is foreign, and the weekend mix is enriched by passers-through, buskers and beggars from eastern Europe and beyond.

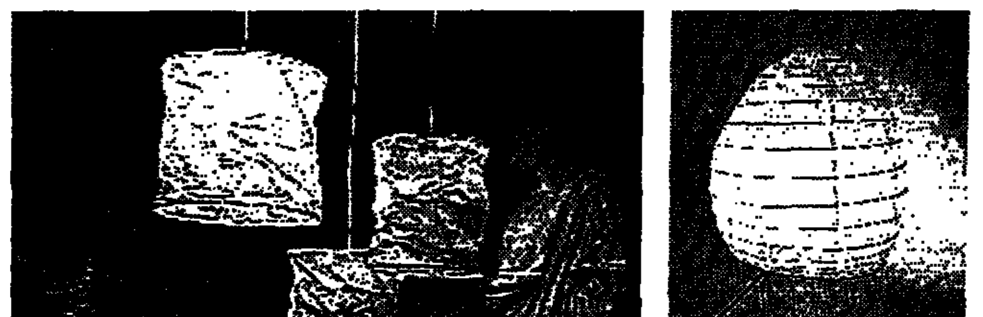
What does the Russian song and dance troupe, immaculate in traditional boots and flounces, make of all those locals in rustling shell suits and over-sized trainers, videoing their act with such solemnity?

What do the odd German couples in knee-breeches, loden greens and tufty little hats make of the Andean pan-pipers tootling to audiences of enchanted children dressed as up-market rag dolls?

It is all too brief. Nothing more than a snapshot. By three, the shoppers have retreated. The boulevard is once again left to its regular population: a clutch of drunks tottering around the fountain, and black-clad young men waiting for the dark and the more sinister retailing business which characterises *the Zeil* by night.

Spotlight on paper lanterns

***Alice Rawsthorn** on the revival of a fashion with its roots in Japan*



Paper lanterns from the Conran shop which has a limited range of Noguchi lights

One of the least likely beneficiaries of the design world's obsession with the early 1970s is the paper lantern, the mainstay of so many student bedsits, which is now back in fashion with a bang.

The soft glow and hand-made air that made the paper lantern seem so out of place in the stark interiors of the 1980s make it perfect for the artisan look of the 1990s.

It may be infused with the hippy ethos of the early 1970s, but it traces its roots to the post-war US design scene and to Isamu Noguchi, the Japanese-American sculptor and furniture designer who devised the first modern paper light at his Long Island studio in the early 1950s.

Noguchi was born in Los Angeles in 1904, the son of a Japanese poet who had emigrated to the United States, and a Californian woman who answered his advertisement for a translator. Noguchi spent his childhood in Japan and his teens in the US.

He studied sculpture under Constantin Brancusi in Paris before settling in New York where he designed furniture for Herman Miller and sets for the Martha Graham dance company.

Habitat has produced a selection of Noguchi-inspired lanterns

In the early 1950s Noguchi was asked by the Japanese town of Gifu to help revive its industrial base. Gifu had historically been a centre for the manufacture of candle-lit paper lanterns. Noguchi developed a modern version of these traditional Mandarin lamps for use as electric lights.

He designed dozens of different lanterns for Gifu in the 1950s and 1960s. Some are simple adaptations of the Mandarin originals. Others are more idiosyncratic abstract shapes like his own sculpture. They are still made by hand in Gifu today using *mino-gami* paper which comes from the bark of the mulberry tree.

Noguchi lanterns are exquisite objects. He designed the frames and shades so cleverly that they fold away into perfectly flat parcels. The *mino-gami* paper is so fine that there is a very special, soft quality to the light itself.

The Conran Shop, which has a limited range of Noguchi lights, sells a small beehive lamp for £89 and a larger beehive floor lamp for £257.

The full selection is available by mail order from the Isamu Noguchi Foundation at his old studio on Long Island and ranges from $62 for a simple paper pendant to $636 for an elaborate floor lamp.

The Conran Shop also has a less expensive range of rectangular paper pendant lights from £9.50 to £14.50.

An excellent selection of Noguchi-inspired lanterns has been produced by Habitat. Its designs are not as meticulously finished as the originals, nor is the quality of the light so fine, but they are much cheaper. Habitat sells small beehives for £15, a larger version for £20 and classic coolie pendants for £6.50.

A number of contemporary designers have brought out new versions of the Noguchi lanterns. Matthias Dietz, a German design historian and curator, has commissioned a collection of paper lights from 30 Japanese architects and designers including Toyo Ito and Shigero Uchida. "There's been so much interest in Noguchi recently that I thought it would be interesting to see how modern Japanese designers interpreted his ideas," he says.

Tom Dixon, one of the most enterprising young London furniture designers and another Noguchi buff, has also brought out a range of hand-made paper lights. "I was getting tired of working on heavy furniture pieces and wanted to try something lighter," he says. "I've always loved Noguchi's work and decided to see what I could come up with by making a model aircraft structure."

He began by making star-shaped lights and moved on to geometric columns. The small stars start at £100. The columns cost around £450 depending on how much work is involved. Dixon is now working on a series of intricate paper lights to sell in the shop he plans to open this spring in London's Notting Hill.

He also makes one-off paper lights to order. Rei Kawakubo, the Japanese fashion designer, ordered a set in black for the Comme des Garçons shop in New York. "I didn't think they would work," says Dixon. "The black made them look more like sculpture than lights. But they did give off a strange eerie glow."

■ *Stockists: Isamu Noguchi Foundation, 32-37 Vernon Boulevard, New York 11106. tel: 0101 718 721 1932; The Conran Shop, 81 Fulham Road, London SW3 6RD. tel: 071-589 7401; Habitat UK, 196 Tottenham Court Road, London W1. tel: 071-255 2545; Dietz Design, Scheffelstrasse 5, Frankfurt 60318. tel: 010 4969 590095; Tom Dixon, 12 Dolland Street, London SE11 5LN. tel: 071-793 7727.*

HOW TO SPEND IT

Journal für die Frau

There are creams to clean, smooth, protect, nourish, thicken, and relax the skin

Face a clear, wrinkle-free future

Science has transformed skin-care. ***Sarah Stacey*** *looks at the latest products*

It is a melancholy truth that sags, bags and wrinkles are natural to the 40-something face. The skin becomes thinner as we age and thus more vulnerable. At the same time, we produce less supportive collagen and elastin so our skin tends to become slack and droopy.

However, in the last few years extraordinary progress has been made in understanding ageing skin. Giving in gracefully used to be the only option. Now, says Dr Tim Cutler, consultant dermatologist at Ipswich Hospital, there are the means to prevent and sometimes even repair the ravages of time. It is possible to have clear, bright, healthy-looking skin in middle age.

The fundamental cause of ageing is ultra violet light. Dermatologists say the key preventive measure is to wear sun block all the time, everywhere. Ultra violet rays disperse into the shade, pierce through clouds and haze, and intensify their attack when bounced off snow or water. It is also intense under fluorescent office lights so even indoors it helps to put on one of the new moisturisers with built-in filters.

Dermatologists recommend no less than Sun Protection Factor 15 in normal conditions and SPF 25 or more for high risk activities such as skiing, sailing and sunbathing. Brands such as Piz Buin and Uvistat offer good protection. Prescription sunscreen products, available in both SPF 15 and 30 with filters, are excellent moisturisers as well as being oil and fragrance free.

Sun damage was always thought to be irreversible, but sunscreen can help undo the damage of the past, according to *Vogue Futures*, a compendium of advice and information for the over 30s, 40s, and 50s by Deborah Hutton, Vogue Health Editor, (Condé Nast Books £16.99).

When we expose our skin to the sun, surface cells form a protective shield by clustering together and thus thickening the skin.

A food supplement called Imedeen is claimed to have a similar effect. Called the "the first internal cosmetic" by its distributors it is said to thicken the skin without sun and increase levels of collagen and elastin. US scientific studies, although on fairly small numbers, have shown significant improvements in "thickness, texture, tone and firmness".

British dermatologists are on the whole unimpressed. They cannot see how a concoction based on protein from fish bone and gristle, boosted by vitamin C, calcium and zinc can possibly work on the skin.

When I tried the product there was no visible difference after the recommended initial 90-day course (expensive at £24.95 for a month's supply). However after persevering for another month, I noticed that my thin dry skin was definitely thicker and less dry.

A new anti-ageing "miracle" was unleashed recently in the form of alpha-hydroxy (or fruit) acids, or AHAs. Lower strength AHA creams, which remove the dead cells from the skin's surface, are available over the counter and have been a phenomenal success. They are a joy for those who demand instant gratification. You should see an improvement in your skin almost immediately. Lancaster's Skin Therapy moisturiser, which doubles as a night cream, though expensive at £39, is one of the best of such products.

'Giving in gracefully used to be the only option. Now, you can prevent, even repair the ravages of time'

Over-the-counter creams act on the surface skin only. However, aesthetic plastic and cosmetic surgeons use gradually increasing concentrations of fruit acids as peels which can have a significant effect on lines, wrinkles and pigmentation.

Beauty therapists also offer facials using lower strength glycolic acid. However any chemical peel inflicts a wound on the skin. Experts recommend that treatment should be supervised by a dermatologist or aesthetic plastic (or cosmetic) surgeon experienced in their use.

The cost varies but is about £500 to £700 for a course of six facial peels, plus day and night creams, cleanser and facial spray. Contact the British Association of Aesthetic Plastic Surgeons (Royal College of Surgeons, 35-43 Lincoln's Inn Fields, London WC2A 3PN, enclose a large SAE) Gly Derm Limited (081-947-2458) or MD Formulations (0268-723232).

Beauty therapist Helen Sher believes fair British skins need a daily skincare regime formulated to combat the effects of pollution. She developed the Sher System which is increasingly recommended by dermatologists for different types of problem skins.

The linchpin is warm water. "It keeps skin really clean, is very detoxifying and prepares it for other products," says Sher. Sher provides Normalising Crystals based on citric acid (another AHA) which transforms hard water into soft.

Aficionadoes splash their faces 15 times each night and morning as part of a ritual which consists of four stages.

Sher says it takes one month (the turnover time for skin cells) to see a change, but several customers say they have seen improvements within a week. Sher also offers a small range of individually blended make-up. She is at 30 New Bond Street, London W1Y 9HD. 071-499-4022, fax: 071-629-7021.

A lot of tension is stored in our faces. Facials, as well as deep cleansing our skin, are one of the most effective ways to disperse it.

In London's Fulham Palace Road there is a small room behind a chiropody practice, holistic beauty therapist Grania Neagle (071-385-0554) soothes feet, hands, arms and then the face.

A two-hour facial costs £45, one hour £25. For details of therapists and mail order products, contact Caradoc Ltd, Woodman Lane, Clen, Nr Stourbridge DY9 9PX, 0562-886858.

If you are daunted by all the bother and expense, take heart from Joan Collins. In her book *My Secrets* (Boxtree £14.99) she says: "It really doesn't take much money or time to take care of yourself." Nivea cream is her favourite make-up remover.

She recommends Vaseline, olive oil or coconut oil as moisturisers, with milk as a cleanser and toner for irritated skin. Her last tip, echoed by many therapists, is to drink as much pure cool water as you can.

FOOD AND DRINK

Cookery / **Philippa Davenport**

The right time for vegetables

This week's snow was, in some ways, a happy reminder that February is winter – or can be. In recent years, we seem to have had no winters to speak of. No summers, either.

The fresh produce in our shops seems similarly unseasonal and ever more uniform. A few years ago, I lamented the sight of brussels sprouts on sale in time for the August bank holiday, and strawberries the week before Christmas.

Now, there is hardly a week when strawberries, blueberries, asparagus and mangetout are not to be found in our shops. On the other hand, winter vegetables such as parsnips, Savoy cabbage and curly kale are difficult to find.

If you share my old-fashioned notion that there is a proper time and place for everything, including winter vegetables in winter, then ask, ask and ask again. Do not take no for an answer...

BRUSSELS WITH FUSILI

To serve 2-4 people depending on the rest of the meal

Choose 10oz of the firmest, smallest sprouts you can find. Slice each of them thinly three or four times from crown to stalk end and steam them over a pan of fast-boiling, well-salted water in which 7oz dried fusili are cooking.

Drain both ingredients when ready and toss them together in melted butter until gleaming. Season with salt, pepper, freshly-grated nutmeg and two or three spoonfuls of Parmesan cheese. Serve with more Parmesan on the side.

LEEK PUREE...

Wash and chop enough leeks to yield 1½lb of edible vegetable (tender green parts as well as white). Cook them in fast-boiling salted water until perfectly tender – *al dente* is inappropriate here. Drain the leeks none too assiduously and add them to a food processor in which you have chopped some parsley already. Add salt, pepper, nutmeg and 2oz diced butter and whizz until smooth.

The lime green colour of this pureé might cause alarm, but the taste – buttery, yet fresh – is delicious, making it a fine partner for a joint of boiled or baked gammon.

...IN CHEESE TARTS

For more chi-chi presentation, the freshly-made leek pureé can be spooned into hot, fully-blind, baked cheese pastry cases and topped with an extra grating of farm-made Cheddar.

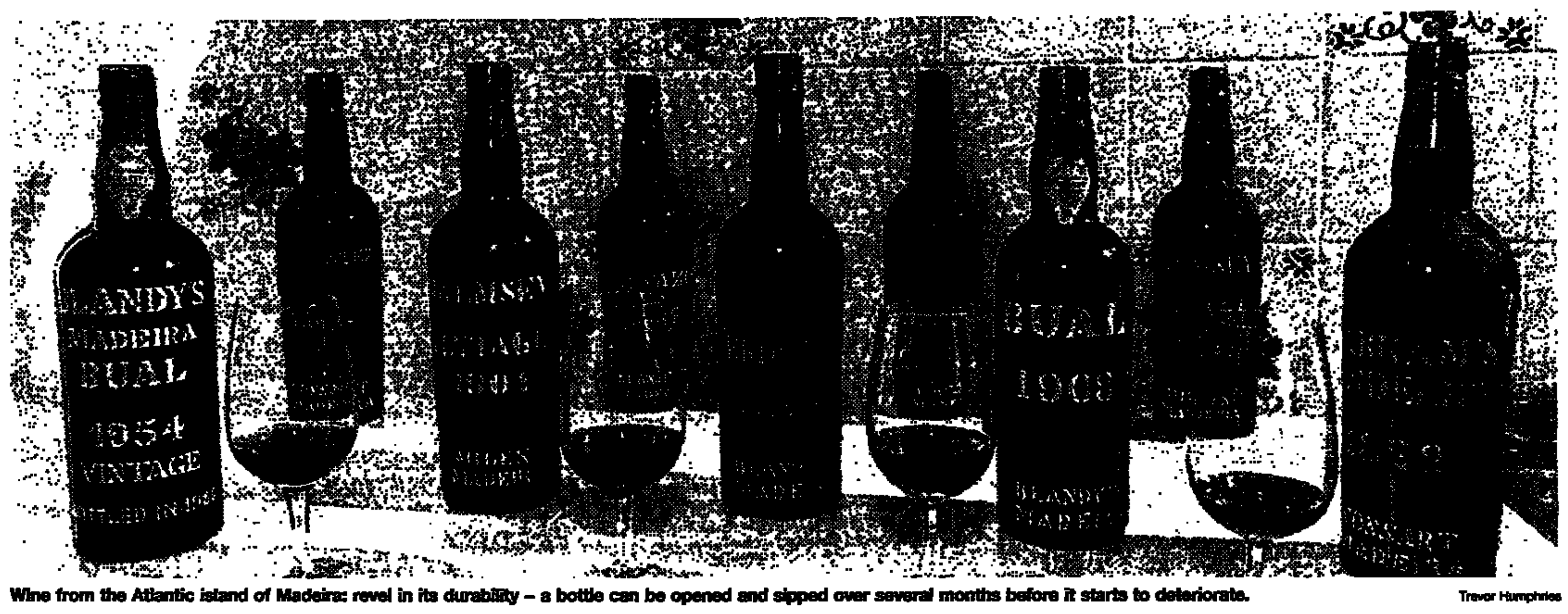
To make enough intensely-flavoured cheese pastry to line up to 15 three-inch muffin tins, you will need 3oz wholewheat flour, 3oz white household flour, 3oz butter, 3oz grated richly-flavoured farm Cheddar, and 1 egg yolk beaten with 1 tablespoon well-salted water. Chill the pastry before rolling it out and chill it again in the tins before baking.

SPICED CARROTS

For a dish with medieval undertones, first soften a small, finely-chopped onion in a large lump of butter. Stir in a minimum of half a dozen cloves, 2-3in of cinnamon stick and a scant 1 sp cumin seeds, all well bruised. After a couple of minutes, add 1lb thickly-sliced carrots and pour on enough water to come nearly level with the top of them.

Add the juice and zest of an orange and a good pinch of sugar. Boil without a lid, stirring often, for about seven minutes until the vegetables are tender and bathed lightly in syrup. (If the liquid evaporates too fast, cover the pan and cook very gently until the vegetables are done to your liking. Or, if the carrots are ready before the liquid is syrupy, lift them out of the pan and fast-boil the liquor to reduce it.)

Check seasoning, adding pepper, sugar and ground cinnamon or cloves to taste. Cover the pan and set it aside until the vegetables are tepid before scattering with split and toasted almonds and serving



Wine from the Atlantic island of Madeira: revel in its durability – a bottle can be opened and sipped over several months before it starts to deteriorate. Trevor Humphries

Pick up a bottle of 1822

Jancis Robinson *tastes madeira, the world's longest living wine*

How very boring we all are. For 99 out of 100 drinkers, wine is either red or white, occasionally pink, and, if stronger than average, then either sherry or port.

But what about madeira? Here is yet another wine of world renown invented by British merchants, and one that is truly thrilling to taste, yet it is all but ignored by the world's wine-drinkers. In Britain, for example, the UK's imports of madeira are barely one fortieth of its imports of port.

I was reminded of the thrill of top quality madeira the other day as I wallowed in a wine made when Emily Brontë was four years old – a Cossart Gordon Verdelho 1822. It was a light tawny, beautifully creamy, mellow and probably nearing its prime but still lively enough to show off, being full and rich without too much sugar or alcohol but with madeira's characteristic tang. A prancing 171 year old!

They say, and I've said too, that fino sherry's the thing to get the gastric juices flowing, but madeira does the same thing while offering the richness of a tawny port.

The great thing about madeira of any age or quality, unlike any other wine, is that you can open a bottle and sip at the contents for months before it starts to deteriorate. The bottles from which I recently tasted 18 vintage madeiras from 1971 back to 1822 had been opened nearly two months previously and showed not a jot of decay.

Madeira has one more unique attribute in my experience. Compared with port, brandy or liqueurs – its rivals as what are ludicrously known as "digestifs" – madeira is much less likely to cause a hangover. This is a bold claim, as madeira is almost half as strong as gin and has to be treated with caution.

But fine madeira does have a certain way of cleaning out the cerebral rafters before the morning after.

Vintage madeira is the most expensive, and is not even released before it is 20 years old, although it will still be in its infancy then. A bottle of vintage madeira is unlikely to cost much less than £60, but it can be sipped over many an evening and makes a great birthday present if the year can be matched to recipient.

Madeira has also produced historic wines made by fractional blending, so called solera madeiras dated with the year in which the blending system or solera was begun, typically in the 19th century. These can be very fine, mature wines at much the same price as vintage madeiras.

Madeira was one of the first "varietal" wines, traditionally made from a single grape variety in the following styles: Sercial – lightest, most delicately tangy and slowest-maturing of all; Verdelho – rather nuttier and fuller but still quite dry; Bual – rich raisin and molasses flavours; and Malmsey – the Malvasia grape makes the sweetest, darkest madeira.

The island's supply of these noble varieties has been so decimated by pests and diseases that today's basic three year old madeiras (labelled "Finest", with blatant disregard for the English language) are made mainly from the lesser Tinta Negra Mole vine and are labelled stylistically rather than varietally, as in "Dry".

Five year old "Reserve" blends are generally about £10, and should contain at least 85 per cent of the noble variety specified, but better value are Special and Extra Reserves, older blends at £13 to £20 with more cask ageing and subtlety.

Although vintage and solera madeiras are usually even better value than these 10 and 15 year old blends, some of the best madeira buys are the Reserva blends from Henriques & Henriques which have an average age of 88 years. Because they are not dated, they are available from La Vigneronne of London SW7, Britain's greatest cache of fine madeira, at £26.95 a bottle.

Since Portugal joined the EU, and Symington, the port family, took control of most of the best known madeira names, the madeira wine industry is being licked into Euro-acceptable shape, but the wines live so long that it could be at least a century before every bottle of madeira fits in to the neat, new taxonomy.

Drink these wines before and after meals, or with cheese, and revel in their durability. The 1964 and 1954 vintages are nowhere near ready.

■ *Madeira stockists: Corney & Barrow of London EC1 071-251 4051 and Newmarket; Farr Vintners of London SW1 071-828 1960; Fortnum & Mason of London SW1 071-734 8000; Great Northern Wine Co of Leeds 0532 461200; Justerini & Brooks of London SW1 071-258 5000 and Edinburgh; Reid Wines of Hallatrow near Bristol 0761 452645; T & W of Thetford, Norfolk 0842 765646; La Vigneronne of London SW7 071-589 6113*

Boulestin's last orders

Nicholas Lander *says farewell to a restaurant*

It comes as a shock when you revisit the smart French restaurant where you first dated your wife 13 years ago and find it has turned into a pizza joint.

That is why the imminent closure of the Boulestin restaurant in London's Covent Garden means so much to me. Queens Moat House, the troubled hotel chain which owns Boulestin, will hand the keys on March 11, to Pizza Hut.

Marcel Boulestin came to London after the first world war and became the culinary media star of the inter-war years. He signed a book contract with Heinemann against an advance of £10 and in 1923 wrote *Simple French Cooking for English Homes* which sold for five shillings and was reprinted five times before 1933. He wrote other books and articles, gave cookery classes, lectured and became Britain's first television chef.

This was partly to subsidise his restaurant, which opened in Leicester Square in 1925 and moved to its current site in Covent Garden in 1926. It was enormously popular thanks to its proximity to the Royal Opera House but rarely profitable, partly because Boulestin, London's first amateur restaurateur, wanted to offer a higher quality than London was prepared to buy.

Boulestin died in 1942 but the spirit of his cooking is kept alive today by the jovial Kevin Kennedy, chef turned restaurateur, and his hard working wife, Maggie, who hope to take the Boulestin name to their next restaurant.

What could be my final dinner there recently highlighted Boulestin's enduring attractions – oysters poached with a mousse of scallop corals and a gamey saddle of hare – and the hidden gems on its exceptional wine list.

The Kennedys plan to hold gourmet evenings on March 9 and 10 (£47.50 per person).

■ *Boulestin, 1A, Henrietta Street, Covent Garden, London WC2E 8PS, tel: 071-836 7061.*

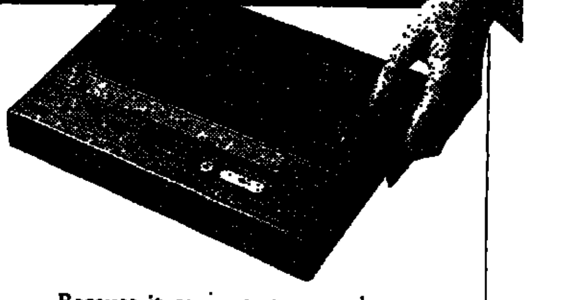
Elizabeth David auction

There can be few homes among the dinner party classes without an Elizabeth David cook book. For the generation after 1950 she brought a little Mediterranean sunshine into the British kitchen.

On Tuesday you can bid for the pots and pans in which Elizabeth David created her recipes. The contents of the kitchen of the most influential cookery writer of the century are to be sold at Phillips Bayswater auction house.

David, who died in 1992, threw little away and stayed faithful to traditional utensils. The sale consists of almost two hundred lots, ranging from basic items, such as spoons and rolling pins (estimated at up to £30 each) to more personal mementoes, such as hand written recipes which never made the books.

Antony Thorncroft



So you've got £100,000 to spend on a home...

A modest cottage is your best bet in the home counties. But the same money can buy you rather more in the provinces, says ***Gerald Cadogan.***

What can you buy for around £100.000? In the home counties, the answer is "not much". Mid-Wales was equally snappy: "Half the county," said agent Morris Marshall & Poole. A pause. "That is a slight exaggeration. But it is the top end of the market here." Not so in Scotland, but it has to be good value when a farmhouse in Angus with outbuildings, paddock and 17 acres awaits offers of more than £75,000.

For a home of character in southern England at £100,000 or less, cottages are the best bet. Tony Mullucks (of Mullucks Wells) says £70,000-£80,000 in east Hertfordshire and Essex buys one that is habitable but needs modernising. Once cottages have been improved and extended – as most have – the price moves to the £110,000-£120,000 range. His most intriguing cottage – 7 Stoney Lane, a cobbled street in the middle of the medieval town of Thaxted – costs just £60,000.

The choice is harder in Sussex and Surrey but Victorian and Edwardian terrace cottages are a possibility. Fox offers two in Cuckfield, near Haywards Heath, at £89,950 or £110,000. Older cottages are too pricey, though. An alternative is a detached three-bedroom new or nearly new home on a housing development, as advertised in all local newspapers. But outstanding bargains are hard to find and the prices reflect realistically the worth of what is being offered.

A more unusual choice is a small town house (grade II) of rendered and painted stone in Midhurst, West Sussex, which Jackson-Stops offers for £80,000, plus £10,000 for a separate garage.

A year ago, demand for cottages in Suffolk barely existed; now, it is picking up. Bedford, of Bury St Edmunds, offers them for £60,000 (needing work) or £80,000-£90,000 (in good condition) while £90,000 is the price of the School House at Troston, a splendid Victorian mini-extravaganza in polychrome brick between Bury and Thetford.

For £82,000, Hamptons is selling the three-bedroomed, thatched Ruth Cottage (grade II) with a kitchen installed only last year. For just £54,500, Bedford offers Bridge Cottage in Walsham le Willows.

Hamptons' variation on the new or nearly-new home is a semi-detached house in a development at Bradfield Hall at Bradfield Combust, near Bury. Residents can use a swimming pool, gymnasium, fishing/boating lake, bowling green and tennis court, and the grounds of the big house. This new home is priced at £84,500 for a 124-year lease (£50 ground rent), with a service charge for the facilities (£142.66 a month in 1993).

Sailors should consider Woodbridge, on the Suffolk coast, where flats in the converted Granary development on the banks of the river Debden cost £79,500, and Tide Mill Cottage £100,000. The agent, Bidwells, is also selling conversions in the White Lion, an old coaching inn at Eye, for £85-95,000.

In the Cotswolds, agent Hurley Lloyd Thorpe reports little under £100,000. One is Yew Tree Cottage, in the beauty spot village of Bourton-on-the-Water (where the river Windrush runs through).

It is a basic abode: stone slate roof, leaded lights, gabled dormer window and beams match a grade II listing. But space is small: living room, kitchen and bedroom downstairs, and bedroom and bathroom upstairs. What else do you expect for £89,500 in the Cotswolds? Meanwhile, for a guide price of £90,000, Lane Fox has the three-bedroom Weavers Cottage in Bibury.

Another option is to buy a flat in a converted country house. A two-bedroom, ground floor flat in Fosseway House at Stow-on-the-Wold costs £80,000 leasehold from Hurley Lloyd Thorpe. Pay a bit more and the choice widens. A cottage in Paxford, near Chipping Campden, is selling for £109,500 while another in Bledington, near Stow-on-the-Wold, has a price tag of £129,000 (both from Hurley Lloyd Thorpe).

In Redlynch, on the edge of the New Forest in Wiltshire, I like the smart diamond patterning in a brick and flint counterpoint on a semi-detached, 19th century cottage called Kestor. The price (from Woolley & Wallis) is £89,500.

In 1907, John Courage – of the brewing family – built Bransgore House, on the south-western edge of the New Forest in Hampshire, as a wedding present for his daughter. In the 1950s, it became flats. The Bell House, with a bell to call the outside staff to meals, is attached to the main house and is for sale on a 63-year lease (from Savills in Wimborne) for £110,000.

For £90,000 ... the School House, a Victorian mini-extravaganza at Troston, Suffolk

For £110,000: the Bell House, on the edge of the New Forest

For £75,000 ... the College House at Ottery St Mary, Devon

For £80,000 ... a small town house in Midhurst, West Sussex

For £60,000: No 7 Stoney Lane, Thaxted

Palmer Snell has the semi-detached Bishops Farmhouse at Old Bradpole, near Bridport, Dorset, for £100,000; its special feature is a detached, one-bedroom annexe which also contains a heated swimming pool. At Christow, on the Dartmoor side of Exeter, £105,000 buys parking for 10 cars – plus a smart, white-painted gate lodge/cottage (grade II) in which to live (from Constables).

Near Salcombe, south Devon, £94,950 will get you Swallows Barn, converted into three flats and ideal for holiday lets; while, for £500 more, there is a refreshingly unpretentious new home, erected only last year by a local builder, at Blackawton, near Totnes (both from Stags).

East of Exeter, College House in Ottery St Mary is across the road from the glorious church and looks a snip at £75,000 (from Redferns). Built in 1875 as an extension to the vicarage, it is now two flats, one of which is vacant.

In Yorkshire, The Hollies in Westow, near York, stands opposite the village post office. Once two cottages, it was converted six years ago to make a house and now has four bedrooms, two bathrooms and two staircases (price: £109,000). The agent is Blenkin & Co, which reports little of interest at £100,000 or less.

Keep going north for canny value, though. Savills' Brechin office in Scotland is selling two small farmhouses which the purchaser of Kilry Farms in Glenisla, Angus – a beautiful glen, 24 miles from Dundee and 28 from Perth – does not need. Loanhead of Kilry Farmhouse awaits offers over £65,000 and Dalwhirr Farmhouse over £75,000; it has 17 acres and fishing rights on the river Isla.

On the Newmiln estate, Guildtown, Perthshire, surplus houses and cottages are for sale in a £40,000-£90,000 range. They need work. But Mill House, with inscriptions on the walls dating from 1652, 1777 and 1883, and 1.5 acres, looks enticing. Offers of more than £50,000 are invited.

Then there is Wales. The Newtown office of Morris Marshall & Poole is selling a cottage needing work at Llanbrynamir for £35,000, while the Llanidloes office has a smart, 19th century (but still Georgian-style) house in the town for £79,500.

For £40,000, the Montgomery office is offering a cottage inside one half of the imposing arch that once served as the gate to the county jail. It includes two bedrooms and even a garden. You pays your money and takes your picks.

■ *Further information: Bedford, Bury St Edmunds (0284-769 999); Bidwells, Ipswich (0473-611 644); Blenkin, York (0904-671 672); Constables, Exeter (0392-411 917); Fox, Haywards Heath (0444-450 105); Hamptons, Bury St Edmunds (0284-767 338); Hurley Lloyd Thorpe, Stow-on-the-Wold (0451-830 731); Jackson-Stops, Midhurst (0730-812 357); Lane Fox, Cirencester (0285-653 101).*

Morris Marshall & Poole, Llanidloes (0686-412 567), Montgomery (0686-668 833) and Newtown (0686-626 160); Mullucks Wells, Saffron Walden (0799-520 520); Palmer Snell, Bridport (0308-422 929); Redferns, Ottery St Mary (0404-814 306); Savills, Brechin (0356-622 187) and Wimborne (0202-887 331); Stags, Totnes (0803-865 454); Woolley & Wallis, Fordingbridge (0425-655 900).

OUTDOORS

Skiing / Peter Whitehead

When Shame comes before Death

It was a straight choice: there were two ways down, the Wall of Death or the Chair of Shame. I will just have to learn to live with the shame.

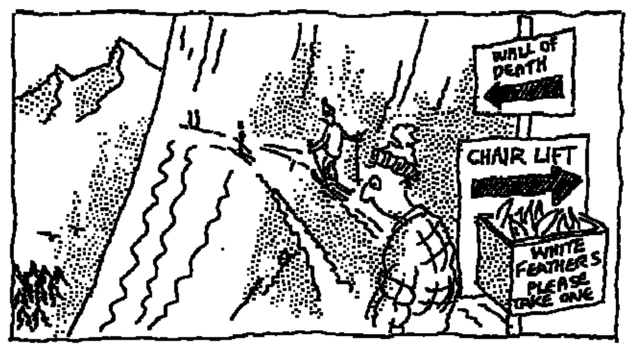
Everyone wants to ski the wall, a treacherously steep black run in the Swiss section of the Portes du Soleil circuit. And if I had been staying at Champéry for more than a long weekend I might well have given it a go.

But from the comfort of the Chair of Shame you can cultivate a superior air as you gaze down at the reckless adventurers bouncing gracelessly from mogul to mogul.

The Portes du Soleil offers skiers a range of challenges – from the wall, above Les Crosets, to fun skiing in gullies, to cruising for miles from resort to resort, to flitting unchallenged and passportless across national borders.

It claims to be the largest international, linked skiing area in Europe, covering 12 resorts in Switzerland and France, including Morzine, Les Gets, Châtel, Avoriaz, with its strikingly dark wooden triangular buildings, and Champéry. There are said to be 650kms (more than 400 miles) of piste, 228 ski lifts and 650 ski instructors.

There are also piste maps that defy gravity in their determination to be comprehensive. The maps include the estimated time of each journey to give everyone a sporting chance of catching the last lift back to their base resort. Penalties for becoming stranded can be high – the taxi driver will make sure of that.



With so much to ski, is it worth going for a long weekend? Desperately keen skiers who only come down from the mountain as the coach home is about to leave for the airport might baulk at the idea. Anyone desperate to ski should consider it.

Champéry is close enough to Geneva airport – 1¼ hours – to make light of the travelling and there are small, specialist ski travel companies who will use scheduled flights to suit your timetable. Leave the office a little early on Thursday, ski Friday, Saturday and Sunday and be back at work on Monday. It can be done.

Surprisingly, we didn't spend all three days queuing to get up and down mountains: there are so many lifts and so much to ski that the only minor hurdle is the Champéry telecabin (it carries 125 people plus a driver, and takes four minutes to reach the top). But even here the weekend queues *only become serious* if you dally over breakfast.

On Saturday and Sunday our guides found us sparsely populated slopes to ski. Especially worthwhile was a 2½-hour session with Jimmy Thomson, Canadian diamond dealer turned ski instructor based at Planachaux, who combined touring the resorts with some excellent tuition. At SFr140 (£65) for up to five people, it was excellent value.

Over the three days, we made the most of an intermediates' paradise around Planachaux, Les Crosets, Avoriaz, venturing as far Les Lindarets. There are wide, fast and exciting blue and red runs everywhere, perfect for improving technique and looking good.

Getting back to the Swiss side has been made tremendously easier with the addition of the Avoriaz bypass – a long chair lift between Les Brochaux and Pointe de Mossette, new for 1994.

At 1,055 metres, Champéry cannot guarantee permanent snow in the village, but there is a long run down a winding road when the snow is good, to the neighbouring village of Grand Paradis.

The old village of Champéry itself is far easier to navigate than the slopes above: it has one main street surrounded by chalets, arranged as if a flock of cuckoo clocks had alighted randomly in the valley bottom.

The four-star Hotel de Champéry, with 70 rooms, is in the centre. The dining room is very white linen, but informal enough for skiers, while the Le Mazot restaurant on the ground floor tempted us to sample fondues featuring fish, horse and ostrich. It also has a piano bar and sauna.

Be sure to find your way to the sports centre offering swimming, ice skating and curling. And for a healthy evening out, Val d'Illiez is a 10-minute drive. Here there is an outdoor pool warmed to 30°C by natural means, and full of minerals to ease you back into work on Monday.

■ *Peter Whitehead travelled with Ski La Vie, 28 Linver Road, London SW6 3RB, tel: 071-736 5611, staying at the Hotel de Champéry, with return flights to Geneva with Swissair. Ski La Vie also offers accommodation at Hotel National and three chalets (catered) at Champéry, plus holidays in Zermatt and Meribel, as well as tailor-made flexible breaks.*

FT Round the World Ski Expedition

More than 25 media correspondents crammed into a Valentine's Day news conference at Breckenridge to mark the expedition's first 50 days, plus Arnie Wilson's 50th birthday.

Wilson, who is suffering frostbite on his nose, reports: "We were forced to ski after dark at Keystone to keep up our record of skiing every day in 1994.

"To clock up more miles, we spent Tuesday skiing madly, and with the help of night skiing, we managed more than 30,000 vertical feet in a day – more than the height of Everest."

■ *You could win a skiing holiday for two or runner-up prizes of malt whisky by entering the competition which appeared in Weekend FT on February 5 (copies available from the FT shop, tel: 071-873 3324).*

Gardening

April flowers – in February

Robin Lane Fox explains how spring can make an early arrival

Among this week's snow drifts, spring seemed to retreat several months. To bring it forward, you need the advice which I most value in February. Go into the garden, cut branches off spring-flowering shrubs which are showing the slightest trace of their buds, and give them five to seven days in water in a warm house.

By the next weekend, they will be in full flower, an accelerated view of April. I spent this week looking onto snow over windowsills of yellow forsythia, cherry blossom and flowering currant two months before their time.

These familiar shrubs are the best for pre-cutting, but they tend to be dismissed nowadays by keen gardeners who see them used conventionally everywhere else. Forsythia is the least popular; its yellow flowers are regarded too strong and, most often, it is planted by non-gardeners who cannot think of anything else on the front fence.

I have learned, however, to crave it as a cut flower – the brighter, the better. The usual spectablis form responds wonderfully to pre-cutting; and if you strip the brahches now, you save them from the birds later. If the usual yellow of spectablis is too golden for your taste, look for Spring Glory or the lemon-yellow Densiflora instead. Outdoors, I would only bother with one other possibility: suspensa atrocaulis.

Indeed, if the strongest forms will open so early indoors, I see little point in wasting space on less usual varieties just because they will flower a few weeks earlier than the others if left outdoors.

Cherry blossom is more straightforward. Nobody can have missed the white-flowered winter cherry because it has been showing such clouds of flower since November. The white form, Prunus subhirtella autumnalis, is the essential choice because it flowers earlier and longer than the pink variety. This winter cherry will open of its own accord outdoors and remains my first choice as a tree for gardeners. But there are two moderately early varieties which are just emerging from bud and respond beautifully to early cutting. Both were bred by the former king of cherry blossom, Collingwood Ingram, but neither has yet been as popular as its merits deserve.

Prunus Okame is earlier and more widely available in the trade: its pale pink flowers appear on a slight, easily housed tree but have a tendency to vanish when the birds first see them. Prunus Kursar is, therefore, my favourite, although it is a deeper and sharper shade of pink. In March, the colour is enlivening in the garden, but it is even better if you pick branches which are in bud and work magic on them now with the help of central heating.

These two small trees are completely hardy. I would rate them very highly in any orchard or setting against darker evergreens where they outclass the later sugar-pink varieties, which upset civilised taste.

Pre-cutting is at its most exciting with the familiar old ribes. Right now, its stems are almost bare, showing only the slightest green buds of future growth. Yet, within a week, they will open indoors into hanging currant flowers of red and white which we associate with mid-April.

Unlike golden forsythia, ribes has not been coarsened by poor placing and repetition in every boundary hedge. It grows surprisingly well in difficult shade under tall trees and is almost indestructible. Despite its familiarity, I would always put it in my personal top 10. The family has a wider variety than many gardeners realise but the best is still the deep crimson King Edward VII, which flowers willingly if brought indoors at the first signs of life.

Like all the coloured forms of ribes Sanguineum, it responds well to hard pruning of the flowering stems. If you cut them now, before they open, you are still cutting them correctly.

I never believed that flowering currants could be forced in time for Valentine's day until I read this advice in a casual piece by Vita Sackville-West. Spring now comes early in academic Oxfordshire, with a further bonus for the far-sighted.

When you come to turn the ribes out of its water, you might well find that some of its stems have sprouted white roots. If you save these branches and use light soil to grow them on, they will probably root and grow away freely. Multiply while you accelerate and be thankful that there is a kinder streak to nature than sudden frosts and snow drifts.


Trevor Humphries

Cuttings from the garden can bring reminders that there is more to nature than frost and snow

Fishing / Tom Fort

Expert? You must be joking

The word has a fine, satisfying resonance to it: "He's something of an expert on..." or "She's the leading expert in her field..." Yes, it must be a grand thing to be acknowledged as an expert. But how do you set about it?

It cannot be done by self-proclamation. To introduce your contribution by saying: "*Actually, I'm a bit of an* expert on..." is to invite derision. I know, because I have tried it. No, it must be done by the acclamation of others.

You must infiltrate their collective consciousness, blind them with your science, seize every opportunity to impress upon them that you know infinitely more than they ever thought possible. You also need unshakable self-belief and enough arrogance to silence the doubters. A modicum of expertise helps, too.

When considering my own qualifications to join the vast congregation of experts on angling, I must be clear-headed. I have never had an original thought about the techniques of the sport in the 30-odd years I have been at it. I depend now, and always will, on the efforts of others.

I should like to think that I am quick-witted enough to have developed the habit of passing off the bright ideas of others as my own, with a fair *chance of getting away with it.* But the fatal flaw, for me, is self-belief. Sooner or later, the would-be expert has to put himself to the test and expose his expertise to public scrutiny. Having now done this, I have decided to return to the ranks.

It happened when I was inveigled into joining a panel of experts summoned to field questions from the Berkshire branch of the Salmon and Trout Association at their annual meeting in January. With me on the platform were two undoubted specimens of the true expert breed: Neil Patterson, a brilliant chalk stream fisher and outstanding fly dresser; and John Maitland, a member of the British fly fishing team and a renowned extractor of monster trout from Rutland Water.

The first question concerned barb-less hooks, and I made an ass of myself by regurgitating some theory I had half-read in an American magazine that *morning. Then, a lady asked if* the panel considered the colour of a fly line to be matter of any importance. "Tom," the chairman said to me, "any thoughts on that one?"

Well, my own fly line was once white and is now grey and cracked with age. What concerns me, though, is not its colour but its habit of sinking. I told the questioner that I used whatever line I had until I could use it no more, then bought the cheapest replacement. I could tell from her face that this was not the expert's reply.

Someone else wondered if the panel had a particular tactic for those glaring summer days when not a fish will rise. I suggested going home. Patterson proposed using a bluebottle fly. I could tell which answer impressed, and it was not mine.

So it went on. Did the panel regard a salmon fly tied on a treble hook superior to a double? The matter had never *crossed my mind. Why do so* many right-handed fly fishermen hold their rods in their left hand? I could not even remember which hand I use. Someone asked if fish could hear. I said they surely could – but did they dream? At least that got a laugh.

Afterwards everyone, from the chairman down, was most kind. But I know now that I do not wish to be an expert, anyway. When you think about it, what is the synonym for expert? Know-all, which isn't half so pleasing. No, let me be an anonymous, amateurish mediocrity any day.

Israel's immigrants

■ From page I

bery to cynicism. Contrary to what was expected from people fleeing communism, Soviet Jews were responsible in part for electing Israel's Labour government at the last general election. Equally contrarily, they may well vote for a Likud government later on. But these are protest votes – against the status quo and poor conditions for new immigrants – rather than votes for anything positive.

Curiously enough, although their enthusiasm for Israel (and Israel's for them) is low, the evidence is that the Soviet Jews have been responsible for an economic upturn. A huge leap in construction and consumption has led to increased production, while growth in exports to eastern Europe and the former Soviet Union (engineered mainly by Soviet Jews) has helped to improve trade figures. In fact, more than 70 per cent of Soviet Jews now have jobs, and companies run by them are attracting attention for their rate of growth.

Yet, the feeling persists that the Soviet Jews are not assimilating. "We don't ever see them," people often say. "We don't feel their presence." Perhaps it is because those who are assimilating are becoming Israeli and, therefore, unremarkable, while those who are not will never be noticed by the mainstream, anyway. But the Russians themselves often say the same thing: we are invisible here, we don't matter.

Perhaps, though, it is because there is little pleasure for an immigrant in assimilating. For Ilyusha, fitting in is a matter of working out the system and then conforming to it. For someone older, adapting can also include realising that an entire life's accumulated wisdom no longer has much relevance.

Even for those with good jobs and flats, the pace of life has accelerated and responsibilities have multiplied. New habits will take many years to form, the attainment of happiness many more.

The experience of Russians in Israel could help to explain why Russians in Russia also vote in protest against the changes there: unless imposed from above, no one will undergo them willingly. Ilyusha merely shrugged when I asked if he was pleased he had decided to leave. "Happy I left Lvov, yes. Happy in Israel? Too early to say."

Off the Wall/Antony Thorncroft

All change at Arts Council

Anthony Everitt, who resigned yesterday as secretary general of the Arts Council with one year of his contract still to run, has done the wise thing. It is unlikely that Lord Gowrie, who takes over as chairman on April 1, would have wanted his contract renewed. Everitt can now depart on the same day as Lord Palumbo, and an era will come to an end.

The two men can be proud of the money they squeezed out of the government over the years; less happy about the initiatives they launched which tended to flounder or cause uproar. It was not specifically the fracas over the London orchestras' funding which prompted Everitt's decision, but the débâcle came to symbolise indecisiveness at the top.

Significantly, all four men concerned with trying to create a super orchestra – Lord Palumbo, Everitt, music director Ken Baird, and head of the music panel Bryan Magee – are going or gone. Five Council members are also due to retire. Grey Gowrie has a clear playing field in terms of personnel and no obvious organisational nightmares. Everitt, who is returning to his old life as a journalist, commented ruefully yesterday that, after spending all this time in committees working out new structures, his successor can enjoy himself with the arts.

Thoughts naturally turn to his successor. It is unlikely that his deputy Mary Allen will rise to the post. The front runners must be Colin Tweedy, who has run ABSA for over ten years and earned a bigger job; Timothy Mason, once boss of the Scottish Arts Council and now licking the London Arts Board into shape; and Mike Elliott of West Midland Arts, with Clive Priestley, management consultant turned arts lover, as outsider.

*

It looked nasty on Wednesday night as the crowd pressed round the building. A security guard tried to calm things with a megaphone, but with little success. Tempers were frayed; there was real anger.

The disgruntled throng was the Friends of the Tate being forbidden entry to the Picasso exhibition. The Tate had completely misjudged the numbers anxious to see the show at the members' private evening. Six thousand turned up; the gates had to be closed and hundreds went away frustrated. Millbank was locked solid and became a no go area for taxis.

The Picasso show could be the most successful in the Tate's history. On the first day paid admissions exceeded 3,500, which suggests a total attendance approaching 300,000. Only the 1976 Constable exhibition, which attracted 313,000, is likely to prove more popular.

Don't phone Alan Ayckbourn over the next few days: the nation's most performed living playwright is setting the week aside to create his 47nd play. At the moment it is shaping up as a work of Hitchcockian menace, but that could change. His last play started as a time travel comedy and then turned nasty.

Ayckbourn was in Rome this week, which was a surprise since he hates travelling and rarely leaves Scarborough. But as Montblanc, the luxury pen people, was awarding him $25,000 as the European winner of its annual culture prize, he made the trip. The money goes straight into his special cause, the removal of his theatre, the Stephen Joseph Theatre in the Round, from its cramped premises in a former school into a refurbished 1930s Odeon cinema.

With luck the new theatre will open in the heart of Scarborough next spring. There will be a small studio space seating up to 200, and a bigger area, seating 400, and still in-the-round. The project costs £4.3m. Ayckbourn has raised £2.4m and is not proud. "We want one big sponsor and will sell the name. I'm quite happy for it to be called after Mrs Toshiba's granny".

Ayckbourn has no wish to concentrate all his energies as artistic director of the theatre. "I've got at present two or three ideas banging around in my head." The plays will still flow. But fund raising is his current pre-occupation. "It's hard to prime the rusty Yorkshire pump. When I approach local businessmen they say 'if its going to be that good, why are you doing it here?'".

Anti-abortionists linked to theft of 'The Scream'

The theft of Norway's most famous work of art took a bizarre twist this week when two ex-communicated, anti-abortion activist priests from the country's state Lutheran church hinted they may be connected to the crime.

Edvard Munch's "The Scream" was stolen last Saturday from Norway's National Gallery in Oslo. The painting had been moved to the first floor of the gallery to allow easier access to a collection of Munch's emotionally charged works during a special exhibition coinciding with the Lillehammer Winter Olympics.

The theft, which took less than one minute and was filmed by video surveillance cameras, has deeply embarrassed the government and caused a public outcry in Norway over lax security of the country's art treasures.

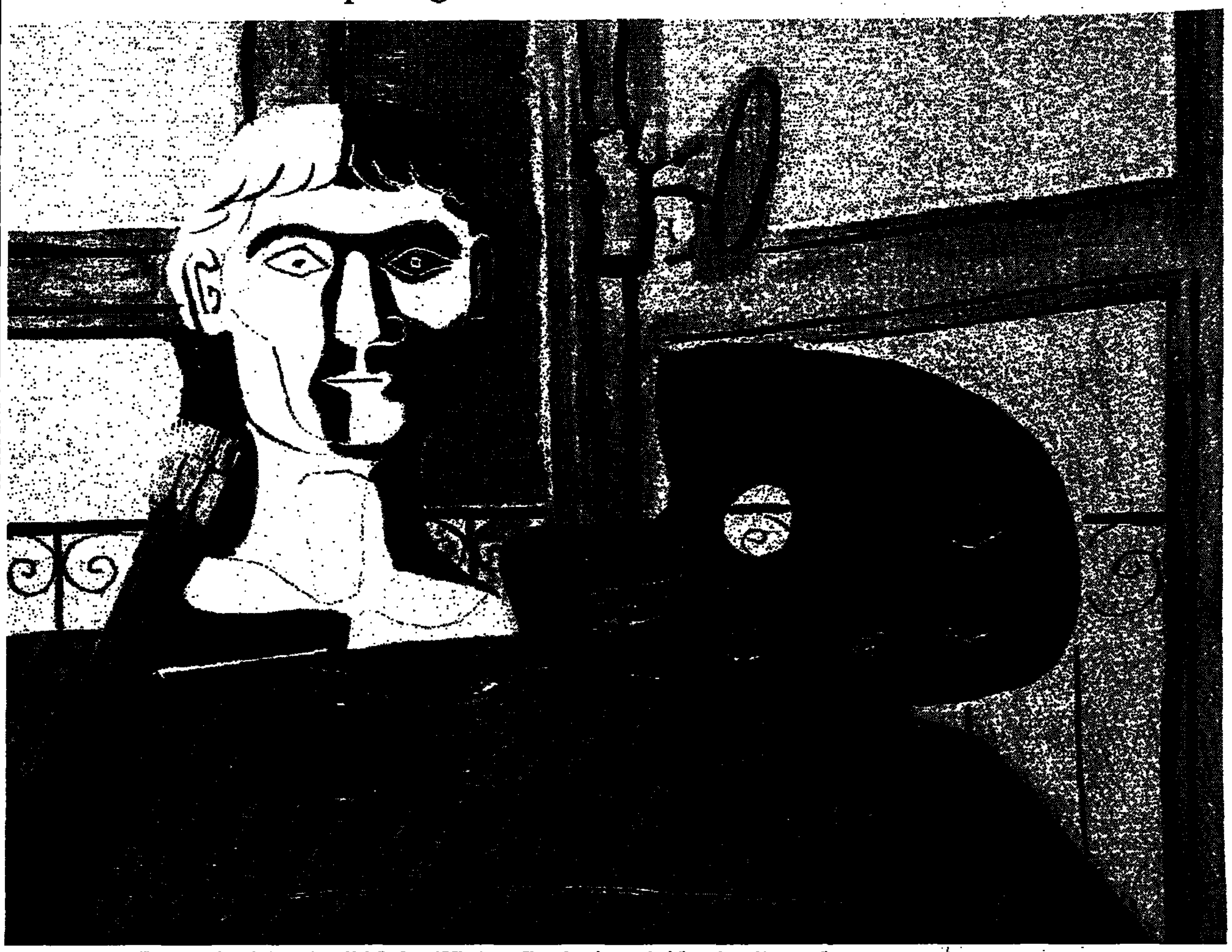
On Thursday an anonymous fax linked to Borre Knudsen and Ludvig Nessa, the two former priests, was sent to the Norwegian press. It showed a drawing of a foetus with a woman, echoing "The Scream", and asked the question: "Which is of greater value a child or a painting?"

Knudsen, interviewed on NRK national radio, said he would be willing to steal "The Scream" to promote his views. He suggested Munch's painting could be recovered if the controversial anti-abortion film *The Silent Scream* was shown on national television.

The investigation continues but many are sceptical about the activists' connection to the theft and believe the pair may have sought to link themselves to the theft in a ploy to gain media attention during the Winter Olympics.

Karen Fossli

This week saw the opening of one of the most memorable exhibitions ever



'Bust and Palette', 1925. The modelled form, the flat illusion – this is the first exhibition to treat Picasso's sculpture and painting as integral to one another

Nijinsky's last work recreated

***Clement Crisp** reviews 'Tyl Eulenspiegel' as part of the Paris Opéra season of tribute to 'a genius'*

Vaslav Nijinsky made four ballets for Diaghilev's company. Of these, his first, *L'Après-midi d'un faune* of 1912, has survived through direct transmission from dancer to dancer. The others – *Jeux* and *Le Sacre du printemps* of 1913, and *Tyl Eulenspiegel* of 1916 – each lasted a season, and were then dropped from the Ballet Russe repertory. Nijinsky's break with Diaghilev, following his marriage in 1913, and his descent into madness in 1918, inhibited revivals.

Nijinsky's genius as a dancer is unquestioned, and speaks to us even through the thin evidence of roles he created, and photographs which so hold the gaze and astonish the eye. His choreographic reputation is more vexed. *Faune* is a work of rare originality, the first innovative dance-making of our century, with movement flattened and given a thrilling two-dimensional power. *Jeux*, and especially *Sacre*, were no less bold in theme (the sub-text of *Jeux* was homosexual flirtation – and this in 1913) and in choreographic realisation (*Sacre*'s dance insisting upon a weightiness and rhythmic virtuosity far beyond contemporary imagining).

Sympathetic observers, when these pieces were new, convey something of the force of Nijinsky's vision. Marie Rambert, who worked with him on the preparation of *Sacre* (the young and inexperienced Nijinsky was dealing with the most taxing and complex ballet score yet written) told me quite simply that "he was a genius". These three works were made while Nijinsky was still sheltered by Diaghilev's protective love: in them the impresario saw that novelty which he so valued and so urged upon his artists.

But in 1913 Nijinsky married Romola de Pulszky, was summarily dismissed from the Ballet Russe, and went into the wilderness. After the outbreak of war in 1914, Diaghilev had to re-establish his troupe, and American tours were a means of survival. His American impresario insisted that Nijinsky be part of the ensemble. Released from internment, Nijinsky, his wife and child, arrived in New York, his terms for returning being that he should have command of the Ballet Russe and would make a new work. Diaghilev went back to Europe, and Nijinsky – by now showing signs of mental unease – took charge.

His creation was to be a long-contemplated realisation of Strauss's *Tyl Eulenspiegel*. The work's genesis was difficult, as we learn from the writings of Robert Edmond Jones, a brilliant young American designer who was entrusted with sets and costumes. After delays (Nijinsky was injured) and stormy scenes, *Tyl* was seen at the Manhattan Opera House in October 1916. It was well received, though Lydia Sokolova, who was in the cast, said that the final moments were improvised by the dancers during the premiere. (Nijinsky in his memoirs noted that it was "taken out of the oven too soon").

Tyl was, nonetheless, a success, a brilliantly grotesque picture of the mediaeval German prankster and the world he held to anarchic ransome. Robert Edmond Jones peopled the stage with fantasticated townspeople, and through the hurly-burly Nijinsky as Tyl raced and capered and caused mayhem. But after three New York showings, and a further 20 on the Ballet Russe's American tour, *Tyl* was never seen again.

Now the Paris Opéra ballet has brought a *Tyl* back to the stage, in a Nijinsky tribute that includes *Petrushka*, his greatest role, and that evocation of his *Sacré* which was the fruit of years of research by Millicent Hodson and Kenneth Archer. I have reported on this re-creation previously. Based upon the notes that Marie Rambert made when working on the original staging with Nijinsky, it is rather like those period rooms in museum where all the furniture and artefacts are right, but the place has no sense of being lived in. Even so, the Hodson/Archer *Sacre* can be seen as a guide to what Nijinsky could have created, albeit style, ways of dancing and ways of teaching, have radically altered performers' skills since 1913, and it looks quaint rather than convincing.

'Nijinsky's genius as a dancer is unquestioned, but his choreographic reputation is more vexed'

If *Sacre* can be seen as something "like", what can be said of *Tyl*, which Hodson and Archer have now evoked through their researches. There are no real indications of text, save written descriptions and the memory of one last survivor (aged 95) of the premiere. There are, happily, records of Robert Edmond Jones' dazzling designs, and these have been given convincing life at the Opera.

But, summoned from the mists of time, what do we see of *Tyl*? Nothing of much consequence. There are crazily leaning buildings; expressionistically grotesque characters (ladies wearing hennins that double their height); a mad bustle of townsfolk through which Tyl tears like a whirlwind – and Patrick Dupond does a great deal to galvanise the role. But the dance is fuss, unfocussed, curiously blank. The air is heavy with formaldehyde. This is grave-robbery rather than restoration.

Ironically, the problems of bringing the old ballets to life was highlighted by the Opéra's view of *Petrushka*. The text is that copy of Fokine's creation mounted by Bronislava Nijinska (Nijinsky's sister) for the de Cuevas Ballet in 1950. It looks markedly inferior in many respcts to the versions provided by Serge Grigoriev (who was Diaghilev's regisseur for 20 years) and detail is muddled, incident traduced. The central interpretations are, as a result, less compelling than they should be, and as Diaghilev artists – Markova, Danilova, Dolin, Massine – marvellously showed them to us after the war. Like the rest of the programme, it seems more impression than fact.

Musically, the evening was tremendous, with superlative playing by the Opera orchestra under Myung-Whun Chung. Sonorities, rhythms, were brilliant; tempi were those of the concert-hall. In *Petrushka* this made a few heels busy – reminiscent of Beecham whisking a ballet along and observing "That kept the buggers on the hop!". The programme book for this evening – as always at the Opéra – is exemplary: very handsome, very informative.

The Nijinsky programme can be see at the Opera Garnier on February 14,16,17,19,22,23, 25,26,28.

Orchestras in London

British music and Mahler

James Levine's three Festival Hall concerts with the Philharmonia – his first encounter with a London orchestra for nearly two decades – are proving a big draw: for the second, Mahler's Third Symphony on Wednesday, the queues for returns were not much less than Karajan-length.

Any account of this longest of Mahler symphonies is always an event: in no other did Mahler more ambitiously or more abundantly argue his conviction that a symphony should amount to a "whole world". Levine's credentials as a Mahlerian, solid enough, are backed up by his substantial experience in Wagner – a conductor who has found ways of sustaining all of *The Ring* (as this conductor has in his New York Met home) is unlikely to suffer uncertainties in mounting this vast edifice or in tracing its Wagner-inspired progression from earthly depths to spiritual heights.

Levine's authority was, indeed, never in doubt. He understands how the work's two mighty outer movements and its four picturesque inner ones hang together; he commands their individual sound-worlds and dramatic canvas. His insistence on seating the orchestra traditionally (violins opposite each other, not all bunched together) immeasurably clarifies the sense and blend of the scoring: traditional too, although perhaps less justified, was the interpolation of an interval after the first movement.

Yet in spite of its many strengths, this Mahler Three exposed a gap between promise and fulfilment that grew ever wider as the evening passed. The Philharmonia seemed not yet entirely at home with the conductor's beat – the very slow tempo for the finale found the strings not radiant but somewhat heavy-footed in movement from note to note. More to the point, I could detect in the reading little in the way of spiritual energy. The mighty adventure of a Mahler symphony is dulled when its intensities of emotional expression – lamentation, yearning, meditative rapture – are left unfathomed.

There was, however, one vividly emotion-inspiring aspect to the performance: the singing of its alto soloist, Christa Ludwig. This was her final London concert, after nearly four decades of regular appearance here: in the Nietzsche setting her calm, generous, easy flow of tone and her unforced responsiveness to atmosphere and colour touched Mahlerian depths otherwise absent from the whole experience.

In the same hall the following evening, a BBC Symphony Orchestra concert of English music struck a vivid contrast. Under Andrew Davis the BBC orchestra is now an exciting virtuoso band, and the elements of dash, vivacity and risk-taking in both Tippett's Piano Concerto (Peter Donohoe the fluent, not always poetic soloist) and Walton's *Belshazzar's Feast* unfairly highlighted the earthbound character of Levine's Mahler.

The London premiere of Mark-Anthony Turnage's *Momentum* (1991), a brilliantly blues-coloured orchestral showpiece written for the opening of the Birmingham Symphony Hall, set off the evening's exhilaration.

Max Loppert

Philharmonia Levine series sponsored by AT&T and NCR

The Falstaff of suburbia

Richard Fairman on the revival of the English National Opera production

There are two portraits of *Falstaff* the man. In Shakespeare he is an old knave, who has fallen upon hard times and revels in comic rough-and-tumble. In Verdi he inhabits the same milieu, but the heart has grown warmer, the comedy has softened: *Falstaff* has acquired a nobility of spirit.

The production of *Falstaff* that David Pountney mounted for English National Opera always had the rumbustious rogue in mind. It even looks vulgar – intentionally, one assumes. Falstaff has landed in present-day suburbia, where the middle-class flaunt what wealth they have.

A row of terraced houses frames the set, every front door, every chimney-pot the same. The fair ladies of Windsor dress in off-the-peg, black-and-white Cecil Beaton imitations. At the end everybody goes to a party at Herne's disco.

Although the brashness of this picture will not have been to all tastes, it was at least all of a piece when the production was new in 1989 and it still is now. Several of the key players have returned for this revival and there is also a conductor who has similar ideas about the opera.

Andrew Litton wants Verdi's score to be red-blooded, with rhythmic strings, forward wind, blazing brass. If that sounds as though it could mean loud, it does, to the detriment of the words, but his vigour and decisiveness are welcome.

The tone of the evening is mellowed somewhat by Benjamin Luxon's Falstaff, who looks beyond the obvious comic opportunities. As he sits rueful and bedraggled after his ducking in the Thames, he cuts a sadder figure than usual. His big monologue at that point is not very incisive. It is surprising how much real singing and voice this role demands – rather more than Luxon can summon.

The strongest couple are the Fords. Janice Cairns looks a picture of bourgeois chic and is vocally well in command, with plenty of voice to spare. Alan Opie cannot claim that, but his jealous husband in striped suit and shades is well sung and knows better than anybody else on stage how to deliver English words.

The others include Yvonne Howard's playful Meg and Anne Collins as a businesslike Quickly. Timothy Robinson sings Fenton nicely with well-mannered English tone; Sarah Pring's shining soprano is too substantial for Nannetta's light-as-thistledown music. Alexandre Naoumenko makes a strong Dr Caius.

As the final fugue drew to a close amid much bustle on stage and uproar from the brass in the orchestra, I dreamed of a *Falstaff* that aspired to Verdi's nobility of spirit, warming the heart like Sir John's glass of mulled wine, a subtle, wise, detailed, nimble, sparkling *Falstaff*.

That will have to wait for another day. And, I fear, another production.

Revival sponsored by Woolwich Building Society. Performances continue until March 29 (with some changes of cast)

mounted by the Tate Gallery. **William Packer** reports

Picasso put in perspective

There have been many exhibitions of the work of Picasso the sculptor – most notably the pioneering study undertaken for the Arts Council by Roland Penrose in 1967, with the active co-operation of Picasso himself, then 86. That, too, was shown at the Tate. But between that and this present exercise there lies a profound difference.

Plaster 'Bust of a Woman (Marie-Thérèse)', 1931

Picasso: Painter/Sculptor is the first exhibition of such scale and definitive ambition to take as its subject not either aspect as a distinct, if complementary, practice, but rather each as necessary to the other, each feeding off the other and integral to the one, constant, creative activity.

Picasso turned to sculpture for the first time, so far as is known, around 1906, a moment of transition that saw him moving from the sweeter symbolism of his early career, *blue* and *rose*, to something much more raw and radical.

Now, in these gently modelled heads of his mistress and companion of those early years, Fernande Olivier, we see him quietly looking sideways at his contemporaries, Rodin, Maillol, Brancusi and Matisse. We also clearly see in the paintings and drawings around us that he is looking back to the radical pictorial devices of Cézanne, and to the formal simplicity and energy of primitive Iberian and tribal sculpture.

And yet he remains entirely himself. Already, with the *Demoiselles d'Avignon*, that savage precursor of cubism, in gestation and the simple monumental heads and figures spread all about us, his own formal resolution of his several interests begins to declare itself in all its revolutionary confidence and authority.

The work of this first room and period alone makes the point for the entire exhibition, as we move from the early sculptural nudes and heads to the first extraordinary essays into cubism. And for the first time the point is made, and made forcibly, that cubism was not simply an exercise in reforming and reworking the idea of rendering space and form on a plane surface. Rather it is the essential, albeit mutually contradictory, interdependence of the flat and the round, the real and the proposed, that is being explored and celebrated.

By 1909 and the *Head of a Woman (Fernande)*, with its faceted, disrupted, almost pictorial surfaces that would yet flatten and deny its own undeniable mass and physical presence, we have what is still one of the most remarkable and truly revolutionary works of the century. To confront it is to be thrown straight back to the cubist drawings and paintings to which it relates. And they again, by the very mass and weight, space and light that they conjure up on the flat surface, throw us back directly to the sculpture.

To confront 'Head of a Woman (Fernande)' with its faceted, disrupted surfaces is to be thrown straight back to the cubist drawings and paintings to which it relates

Picasso was not always engaged with sculpture through that long career, but it is now clear that there was a sculptural potential or possibility in whatever he did. Whenever he was directly so engaged, the sculpture he produced was always keyed closely in to whatever else was in hand, used directly to clarify the painterly preoccupation.

But to use the distinction "painterly" at all is almost to mistake the point, for it is rather the artist's preoccupation that was ever to be clarified, indifferently in terms of paint or clay, ink or paper, pot or plaster as appropriate.

Here are two late cubist still-lifes of 1914, a glass on a shelf, a knife, a scrap of newsprint, a piece of cheese, a decorative border – only one is cobbled together of wood and fabric all painted up, and its glass a flat piece of wood, its wine a neat pictorial trick. Again, in 1919, a still-life, guitar and mirror, is set up at an open window at Saint-Raphael, and a maquette of folded paper devised as its actual subject.

So the game goes on down the years – inside and outside, the modelled form, the flat illusion, the painted surface that bespeaks the form, the form that confounds itself.

Still-life is perhaps the key to it, if we take the term in the broadest sense: the model, the cat, the pots and flowers, all the paraphernalia and detritus of studio practice, the accumulation of work against the wall, half-finished, half-forgotten. And constantly the work itself is fed back into the work, the work of art as its own still life, as familiar in paint as in the round – the woman's head, goat's skull, bottle, guitar.

How various the man is. Picasso was born in 1881. He embarked upon his cubist adventure before he was 30 and he continued active into the 1970s. And yet there are still those who would deny the worth of his achievement, who consider him no more than a skilful and mischievous fraud. No one would deny Picasso the mischief, but fraud, never. Given such full retrospective scope as now, the quality of his transforming imagination and his technical mastery alike are manifest in every thing he did, as clear in every touch of paint on a surface as in every twist or fold of paper, or pinch of clay or plaster. A natural painter, an instinctive sculptor, his standing as the commanding artist of our century is obvious and inescapable.

This exhibition has been selected and introduced by Elizabeth Cowling and John Golding, and beautifully judged and installed. They have produced one of those rare shows, sure to live on long in the memory.

Tate Gallery, Millbank SW1, until May 8: sponsored by Ernst & Young.

Movie marathons fight it out

At the Berlin Film Festival Nigel Andrews is caught between the pleasure principle and art through pain

This year's two retrospectives are devoted to Erich Von Stroheim and Sophia Loren: strange – nay mind-boggling – bedfellows. Erich's is the face louring from the posters with monocle, army cap and interrogation-room stare. Sophia's is the face with sunripe pout and cascading Mediterranean locks.

The twinning is surely symbolic. Put Prussian strictness with Mediterranean hedonism and what do you get? Something like the 44th Berlin Filmfestspiele itself. The festival, like most of world cinema today, is caught between pleasure-principle picturegoing and the old ethic of art through pain. Nowhere is the tension greater than in the two main movie-marathons, both French.

Jacques Rivette's six-hour, two-part *Jeanne La Pucelle* was shown within the same 24 hours as Alain Resnais's 4½-hour, two-film diptych *Smoking* and *No Smoking*, based on Alan Ayckbourn's play cycle *Intimate Exchanges*.

Both films flirt with avant-gardism while simultaneously wooing *le grand public*. Rivette's epic passes Joan of Arc's story through the deconstruction machine: no windy heroics, much blending of Brechtian tableaux with Bressonian line-delivery. (Never let the voice range beyond one octave.) But the film is still a surprising dollop of colour, accessibility and class performances from the hitherto hermetic Rivette.

Resnais, 30 years after Marienbad, is still exploring the paradoxes of time and memory. But this time it is "Last Year In Hutton Buscel". Here in Ayckbourn's twee north-east English town (Scarborough by another name, but all conjured on a soundstage), a headmaster (Pierre Arditti) and his wife (Sabine Azema) and six other characters (all played by Arditti and Azema) play Musical Destinies with a story scripted for multiple-choice developments. *Now she runs off* with the gardener; now she doesn't. Now he falls in love with the daily help; now he doesn't. Resnais/Ayckbourn keep pressing that narrative rewind button.

I thought Rivette won the Old French Masters prizefight. Resnais keeps dancing over the same stretch of canvas until interest yields to tedium. But Rivette, boxing clever with history, makes his Joan (superbly played by Sandrine Bonnaire) both a myth-glamourised icon and a modern girl fighting for sexual-political equality. The film is accurate, it claims, to every dot and comma of researched history. Hence no doubt its teasing rhythm, alternating a quotidian banality of bills and meals and social minutiae with the horrors and heroisms of war.

Shown in the noncompetitive Panorama section, Rivette's film is not in the running for prizes. The favourite Golden Bear challengers so far are Krzysztof Kieslowski's *Three Colours White* and Tomas Gutierrez Alea's *Strawberry And Chocolate* from Cuba.

The Polish film is part two of Kieslowski's *tricouleur* trilogy, tackling "Equality" after his *Blue* dealt with "Liberty." (You need a computer to keep up with all the diptychs, trilogies and *films fleuves* of modern cinema). For a movie called *White* this comedy is bracingly black. It is very funny about life in "liberated" Eastern Europe, where the Warsovian hero (Zbigniew Zamachowski), scheming to lure his estranged French girlfriend over from Paris, can buy anything on the markets of the New Capitalism from used cars to dead bodies. All come in handy as the plot shifts gear all the way from gentle romance to cynical overdrive.

Strawberry And Chocolate is also free with the gear-shift. For romance, here is one-sided gay passion between young Diego (Jorge Perrugorria), an artist whose high-camp manners and high-risk artworks attract the attentions of the State, and the "straight" young Communist David (Vladimir Cruz) sent in to sound him out or set him right. For cynicism, here are buckets of witty scorn thrown over the prejudices and repressive edicts of Castro's Cuba.

But Berlin has long been the cinematic capital of gay liberation. The most fanfared American competition entry here is *Philadelphia*, with Oscar-nominated Tom Hanks fighting Aids and homophobia from a Hollywood hospital bed. Also rallying to the demo have been *Zero Patience* ("first ever Aids musical"), *Grief* (almost first ever Aids comedy), *Go Fire* (no Aids, but lots of lesbians) and *Coming Out Under Fire* and *One Nation Under God* (gayness in America and points East).

Moral: a city with the world's most famous fallen Wall knows all about barriers between people and how to deal with them. Ironically, the one barrier Berlin is still struggling to demolish, cinematically, is that between East and West. Every year the festival proclaims its chief loyalty to Europe, especially the neglected movie cultures of the former East; then it exasperates everyone by filling the cinemas with films from the US.

This has two effects. It gives Berlin a schizoid personality: paying lip service to Our Art while showcasing Their Entertainment. And it allows Hollywood bounce and professionalism to expose the inadequacies of much modern Euro-fare.

Who wants to sit through another dog-eared, chain-smoking French *policier* even when lent spurious novelty value by a bisexual woman sleuth (Anemone in Tonie Marshall's *Pas Tres Catholique*); or a damp-squib German satire about film-making (Reinhard Munster's *Back To Square One*); or another Russian movie attempting to revive the stylistic ghost of Tarkovsky (Aleksandr Sokurov's *Whispering Pages*)?

Even Asia, regular miracle-worker at recent Euro-festivals, has failed to deliver the goods at Berlin '94. Try China-Hong Kong's Competition-opener *Sparkling Fox*, a sort of reject Aesop fable hijacked by the Orient, or Japan's *800 Two-Lap Runners*, all about the existential tremors of school track-racing.

By contrast America, even outside the Competition, gave us D.W. Pennebaker's humming docu-feature about the Clinton presidential campaign *The War Room*; Francois Girard's massively witty mock-biopic *32 Short Films About Glenn Gould*, a sort of musicological *Citizen Kane*; and my favourite fringe lunacy at Berlin to date, the documentary *Tigrero*.

Though this has a Finnish director, Miko Kaurismaki, the stars, story and inspiration all come from across the Atlantic. We watch US film-makers Sam Fuller and Jim Jarmusch revisit the Brazilian jungle where Sam, 40 years ago, shot footage for an aborted John Wayne movie, the eponymous *Tigrero*.

Scratching around for memories and survivors, their double act plays like a lost-in-the-forest version of *Waiting For Godot*. Jarmusch is droll and deadpan; Fuller is crackpot and garrulous; the scenery is surreal; and the Indians stand around wondering what has hit them and how long the Mad People from Hollywood are staying. At Berlin, as far as many of us in this jungle are concerned, they can stay indefinitely.

Passion meets corruption and farce

Andrew St George finds provincial theatre very much alive

At Leeds, there is a fine new *Death of a Salesman*; at Manchester a weak new play called *The Lodger*, and at Birmingham a welcome revival of *The Atheist's Tragedy*.

Arthur Miller began writing *Salesman* (1949) in a wood shack he built in Connecticut. He called the first draft *The Inside of His Head*. The West Yorkshire Playhouse has a fine production directed by Matthew Warchus which catches the passion and the pose of Miller's original.

As employment in the 1990s becomes less secure, Willy Loman is back in fashion: it is absurd to expect loyalty from an employer when money is the real issue.

Ken Stott finds a way through the part of Loman making him admirable and contemptible, stupid to think that good individual work will be valued by an institution. His is a good performance, knotty on his own, yet pliable with others. Ellie Haddington plays Linda superbly: strong, uncomplaining and baffled by what is slowly killing her husband. A fine performance like this shifts the play towards Linda, making it her story too.

Warchus uses an open set crossed by events from Loman's past which still seem real and have an effect: *inside his head* is just right. The second half is inside the house looking out, making the wide stage into an intimate family space.

Further south, we reach the bedsit suburbs of *The Lodger* at The Royal Exchange Theatre, Manchester. The play won the 1992 Mobil play writing competition run by the Royal Exchange. It is written by Simon Burke, an accomplished television writer. This play suits itself to the literary prize: it has sex, drugs, police corruption and romance in committee-winning equilibrium, *wrapped in* a producer-friendly small cast.

Detective Constable Wise has a mortgage to pay and a room to rent. He takes in Lois, who uses the DC's back bedroom for immoral purposes. Then Lois's pimp turns up from King's Cross, and they go back into business. Finally, enter DC Reed, Wise's colleague, who discovers what the ironically named Wise has failed to do: the truth about Lois. Domestic violence ensues.

The strongest aspect of the production is Julian McGowan's fine set. It lays out the twilight bedsit world as a fluorescent ground plan, like the glowing ruins of an old domestic settlement worn down to the foundations. The walls light up as the action moves.

The two principals, Julia Ford (Lois) and Philip Jackson (Wise) conjure a workable relationship from the script. In the programme Burke describes the play as "indeed nasty brutish and short"; good to have Burke on Hobbes, but it should be more of all three.

Machiavelli is the philosopher of choice at *Birmingham Rep's* otiose production of Cyril Tourneur's *Atheist's Tragedy* (c. 1606-11). This ripping revenge horror is carried by the excellent Gerard Murphy as the scheming D'Amville. This is an unusual play, bravely staged and worth seeing for Murphy alone.

Seen as a whole, this piece of Jacobean horror runs of sophisticated lines; watching it is like seeing a proof of Chaos Theory in the theatre where a small event changes the whole picture.

The play is so wild, careening from terror to farce in a single leap, that Anthony Clark's direction is caught flat-footed. There is an unnecessary X-Rated brothel *scene, and some sub-Hamlet* goings-on in a graveyard which slip out of control.

Tourneur's characters here represent nothing more than themselves, instead of the viewpoints he meant them for. Their semi-modern costumes leave them midway between Renaissance swagger and Cowardly poise.

The farce and horror mix uneasily: "Draw out mine eyeballs and make envious fortune play at tennis with them." The latinate language is straight from Jonson and the sentiment direct from Shakespeare: "Our own constructions are the authors of our misery."

West Yorkshire Playhouse (0532 442111) The Royal Exchange Theatre, Manchester (061 833 9833) The Birmingham Repertory Theatre (021 236 4455)

Chess No 1009: 1 Ng5 Kg8 2 Nh7 Kh8 3 Bd2! Kg8(cxd2 4 Nf6 and 5 Rh7) 4 Bc1 Kh8 5 Ba3 Kg8 6 Nf6+ and 7 Bxb4 or Rxh7.

A flawed look at fine art

***Brian Sewell** on European printmaking*

The Renaissance print, north and south of the Alps, has largely been taken for granted by art historians unless, as with Mantegna's engravings and Durer's woodcuts, it is a significant part of an artist's *oeuvre* and necessary to the completion of a monograph. Few have ever considered it as art in its own right, both woven into painting and drawing, and standing apart from them; nor have they enquired into its mass manufacture and marketing, nor the artists to whom its technical development was a matter of ardent intellectual and aesthetic concern.

David Landau, editor of Print Quarterly, and Peter Parshall, Professor of art history at Portland, Oregon, have sought to remedy this, and with ten

THE RENAISSANCE PRINT
by David Landau and Peter Parshall
Yale University Press £45, 433 pages

years research have produced a book that covers the subject for a century or so, from the print's first burgeoning in Flanders in the 1460s, to its exploitation for the mechanical reproduction of Raphael's imagery, and from the first crude woodblock to the elegant chiaroscuros of Ugo da Carpi and Beccafumi.

Their approach is encyclopedic; we learn of the expanding manufacture of paper from flax, as the market for wool declined and that for linen grew; we learn of paper merchants at a Frankfurt fair, of inks from vine yeast or burnt pitch, of printing presses established all along the Rhine and into the Netherlands and Swabia, of family workshops in which wives and daughters played their part and the works of other printmakers were sold, of networks and of agents, and of Hungary as a source of copper for the plates; we are even told of the use of prints as objects of portable and private devotion, and of their enjoyment in privacy when the market proliferated into erotica and pornography, not just in illustrating the illicit loves of gods, but more directly – and the authors make their point with Raimondi's print of a nude woman at pleasure with a ladies' comforter.

It is at an engaging pace at the beginning that we absorb the exciting basic facts and glimpse Renaissance Europe feverishly exploiting a new commerce so important to their prestige that such artists as Lucas Cranach and Urs Graf may have been driven to falsify the dates of their prints so as to lay claim to primacy in technical invention, but the pace is not sustained. The complexities of the material defy the continuous text with which the authors bind it, and like 18th century connoisseurs who know all the facts and are fecund with ideas, but cannot organise either into a logical format, they lose their grasp, and on recovery insert the material almost at random.

From page 65, not under his own name, but with the heading *The Development of a Tonal System*, we have six pages devoted to the vexed matter of Mantegna's prints; a little more appears on page 100, and another five full pages are hidden in the subsequent chapter devoted to Marcantonio Raimondi and Raphael; yet in these three passages the explanation of Mantegna's techniques is far from clear, nor is the question of authenticity satisfactorily addressed. Dürer provides an even more continuous *leitmotiv*, running right through the book – very late we learn that he gave his prints in barter and payment, even as tips, and are treated to a discussion of their financial worth and even of the coins that he carried in his purse – but nowhere in the list of contents is he mentioned (nor is Mantegna), though his compatriots Altdorfer, the Hopfers and Lutzelburger are.

The list of contents is one of the book's worst offences; with a confusion of typefaces erratic in their relation to the importance of the subject, a meaningless mixture of capitals and lower case, and absurd crowding, it is inadequate, misleading and damnably unhelpful, and the serious reader intending to use the book for reference must first set to the task of making his own list, with cross-references. An editor should have seen to this, and he should also have shaken the authors by the scruff; too often they write carelessly, their grammar slovenly - "there are only a couple of his plates known" is typical, and "more importantly" and other confusions of adjective and adverb are a common irritant. No editor should have allowed to pass into print the fuzzy thinking of the brief paragraph on Marcantonio and Parmigianino in which appear "almost certainly," "most scholars now agree that," "more probably," "it is not unlikely that,"/"This is not improbable, and it is also possible that," "would have been," "conceivably," and "probably rehearsed."

A decade of labour by two diligent scholars does not of itself result in a good book, particularly when they cannot spell (martial for marshal), cannot write with any style that eases the reader through their torrent of material, and are so jack-in-the-box with its presentation. The design of the book is a disgrace – with a rigid spine its pages never lie flat, and of the twin columns of small print, the inner invariably slides into the gutter; crudely patched with little illustrations, few pages are comfortable to the eye; and the sub-headings that mark the text's crucial shifts from north to south of the Alps are too small to be seen when rifling swiftly through the pages, as one must.

All this is more than irksome, for so absorbing a survey of so wide a field, learned, technical, perceptive, and full of sudden and illuminating insights, must be regarded as the most important work on the subject for many years – certainly within my lifetime – but it could have been so much more immediately useful had its publishers insisted on its being, not some four hundred pages to be read as literature (with some four hundred illustrations), but a stout reference book. We shall all use it as a reference book, and every time we do so, we shall curse the press that printed it.

Venus and Cupid, a chiaroscuro woodcut from two blocks by Lucas Cranach the Elder, dated 1506.

Poet hobbled by passion

***Michael Glover** on the work of Stephen Spender, 85 this year*

This month, the great cultural monument that is Sir Stephen Spender will be 85 years of age. It is now more than 30 years since the death of Louis MacNeice, 20 since the deaths of W.H. Auden and C. Day Lewis and 10 since that of Christopher Isherwood. Spender, the last surviving member of that much-memorialised generation of the 1930s, has survived them all – and he continues to write and review regularly to this day.

The poetry, however, has come very slowly. His last full collection, *The Generous Days*, was published in 1971; his Collected Poems of 1985, though containing some new works (including notable elegies to MacNeice and Auden) was largely a re-presentation – often drastically re-worked – of older material.

In "Worldsworth", the best poem of his new collection, *Dolphins*, he records his first brush with poetry. In 1916 the Spenders were obliged to leave their home on the cliffs near Sheringham, Norfolk after two stray German bombs fell nearby. The family decamped to a farmhouse near Lake Derwentwater and it was there that Spender, then seven years old, heard his father reading Wordsworth in the garden. The vocabulary and the cadences of romanticism became a life-long passion and it is a passion that has both enriched and hobbled his poetry.

"Worldsworth" is just one of several autobiographical poems in this short collection. Another, "Air Raid", captures a moment in 1941 when a bomb, that "unreasoning fury from an enemy's vision of life", destroys the outer walls of a house, turning what had once been private and inside – a bath, a wardrobe, books, the telephone – into a public spectacle. All that "tender sensitive life" has been thrown away.

Variants upon this observation are the over-riding theme of the collection, no matter how widely it may seem to range in subject matter – from memories of the first and second world wars, through elegies for dead friends, to a long poem which examines the explosive relationship between Rimbaud and Verlaine. What can be preserved of the intensities of the inner life in a world that seems hell bent on its own annihilation? The poet, according to Spender, acts as a mediator between the uniquely private self and the world outside us. There is a lived, shared reality which is both general to everyone and unique to each person, and it is poetry's task to describe it.

Unfortunately Spender's abilities in this book are rarely equal to his vision. "Air Raid" collapses at the end into cliché and verbal redundancy; many of the other poems seem too casually written, as if they are little more than notebook jottings. Only in the Wordsworthian blank verse of "Worldsworth" do we find a sustained and excellent piece of writing from beginning to end.

Sir Stephen Spender, cultural ambassador plenipoten-

DOLPHINS
by Stephen Spender
Faber and Faber £12.99 (£5.99 paperback) 46 pages

tiary, the memorialiser of himself and his famous generation, journalist, editor, essayist, university teacher and literary critic seems to have spent so much time clinking glasses across tables and lurching from glittering lunch to equally glittering dinner (anyone who doubts this should read his *Journals 1939-1983*) that it is a wonder he has had the time – or the powers of concentration – to write any good poetry at all. The fact is, of course, that he has written a little. But most critics would agree that he has not achieved his life-long ambition to be a great poet. His more enduring achievements have been elsewhere: as a writer of prose, for example, (an autobiography, *World within World*, is his masterpiece). Here he has found a way with words that is much more subtle, flexible and assured than most of his poetry ever manages to be, marred as it so often is by a peculiar stiffness and Shelleyan rhetoric. As a spokesman for liberal values, no matter how hopelessly privileged the spokesman may at times seem to be, Spender has also made his mark: to argue for the sacredness of the individual and his impulses is, after all, one of the finest fruits of the romantic movement.

In search of Pan and the people of Thrace

***Michael Thompson-Noel** fails to keep up with Fiona Pitt-Kethley while **J.D.F. Jones** admires the memoirs of an 'ordinary Greek'*

Her *Baedeker* in hand and her knickers round her ankles, Fiona Pitt-Kethley travelled to Greece to research the god Pan and the places where he was worshipped. Not a bad idea. Probably worth a travel book. Start in Arcadia, Pan's undisputed birthplace, and carry on from there. Temples and mountain-tops, ceremonies in sordid caves. How extremely jolly. A bit of ancient sex, too, which could hardly harm one's sales.

But be warned: *The Pan Principle* is not a book for an elderly aunt about to embark on a Swan Hellenic cruise of Greece and her islands, for it is stuffed with sex – modern sex, always with strangers, sometimes satisfactory yet sometimes, as in life, grubbily inorgasmic. The reason for this is that Ms Pitt-Kethley, excessively fond of a bonk, has sauced the tale of her journeyings with kiss-and-tell accounts of all the sexual rompings she enjoyed along the way.

Nothing wrong with that, of course. She is not a pornographer. She just has these needs, and is a fastidious reporter - describing, for example, with detachment and insouciance, which colour condom she chose for which Greek member.

And it is refreshing, at least initially, to encounter someone not prepared to don the wan garb of the average travel writer - sick-making lyricism, dishonest romanticism and egregious selectivity. Nine-tenths of this planet is in a god-awful mess, but you would never guess it from most travel books.

At least Pitt-Kethley is honest. But the mind starts to wander as she grapples with yet another native. First there is Spiros the accountant, with whom she groans and sags in a *pied-à-terre* in Pyrgos. Spiros has his own condoms, a brand called STOP, and, being an accountant, is so extremely cautious that he uses a rubber band to hold the thing in place.

THE PAN PRINCIPLE
by Fiona Pitt-Kethley
Sinclair-Stevenson £16.99, 315 pages

A DRY SHIP TO THE MOUNTAINS
by Daniel Farson
Michael Joseph £15.99, 246 pages

Next is Giovanni, an attractive museum guard with whom Pitt-Kethley couples on the marble floor of the archaeological museum in Naples during one of her trips home. (Do not bother to try it: it proved excessively painful.) Then Nick, a physics lecturer; Demetrios, all foreplay; Georgios the biker, who bites her, rather thuggishly. And so on and so forth.

A few stray males escape Pitt-Kethley's clasp, including two boys, hardly old enough to be driving, who pick her up in a van between Stamata and Marathon. They are soon all over her, but they do not get a jump – mainly, she tells us primly, because she cannot stomach acne.

Occasionally, Pitt-Kethley offers us an anthropological insight. "In Greece, as in England," she confides, "the men are predominantly homosexual by inclination." And although there are plenty of good-looking men in Athens and elsewhere, there is something wrong with Greek male bodies. Greek men hate to walk, she says; they drive everywhere, which atrophies their legs.

She is equally sharp on Greek pollution, which is "slowly but surely damaging every outdoor work of art." And sharp, too, on Greek officialdom. In Delphi's tourist office she encounters a woman who is remarkably proficient at not giving information in several languages, which leads the author to observe that she has never yet heard any expression of regret for Greek ignorance voiced by a Greek.

What with all the sex, Pitt-Kethley's search for the ithyphallic Pan, the master of diverse roles, who was revived, in Edwardian times, as a figure representing raw sex and the subconscious in all its power, is often lost sight of, though she has her moments as a travel writer, not least when describing the people of the tiny village of Ano Karyes, on Mount Lykaion, one of the most beautiful and mysterious of Greek mountains, from the top of which you can see all the mountain ranges of the Peloponnese.

Twenty years ago, unknown to most of the world, the people of Ano Karyes decided to restart the Lykaian Games, which had a pedigree almost as honourable as that of the Olympic Games. There are only 27 people left living in Ano Karyes, but their passion for conservation is so inspiring, says Pitt-Kethley, that since meeting them she has often wished they were running the whole country.

In a ruminative finale, Pitt-Kethley concludes that Pan is dead in most of Greece – dead of pollution and the self-created problems in which Greece wallows. But she adds, not convincingly, that he is alive elsewhere, at least for the time being.

After the exuberance and knowingness of Pitt-Kethley, Daniel Farson's *A Dry Ship to the Mountains* sits tamely in the hand. Farson sets out to complete his father's 1929 attempt to cross the Klukhor pass in the Caucasus on horseback. At the age of 64, this great-nephew of Bram Stoker imagined he would take a jolly cruise down the Volga and then an idyllic ride across the mountains. That is not how things turned out.

He writes fairly charmingly. Trouble is, I read him immediately after rolling with Pitt-Kethley. Every time Farson met a new male character, I at once started wondering how he would rate in bed. The suspense was all but fatal.

Patrick Leigh Fermor's services to our understanding and love of Greece extend beyond his magnificent travel books. His translation of *The Cretan Runner*, for instance – the war memoir of George Psychoundakis, one of Leigh Fermor's irregulars during the German Occupation – gave us one of the most fascinating books about Crete. Now he has introduced the English edition of another memoir by an "ordinary" Greek. Like *The Cretan Runner*, *In the Trail of Odysseus* is a surprise and a delight.

It is the life story of Yiankos Danielopoulos, who was born in merchant prosperity in a small port on the Black Sea in 1899 and died in contented poverty 88 years later on his small farm on Mt Hymettos near Athens. Yiankos apparently wrote a version of autobiography in old age, which was then put together and skilfully placed in context by Marianna Koromila.

It has been fluently translated by Nigel Clive and Leigh Fermor contributes an introduction in his inimitable style. ("On the right a beech-forest wavered inland to the foothills of the Great Balkan Range, and on the left, beyond a steep tumble of rocks and a troop of cormorants, a sweep of green water fled away to the skyline. It was getting dark; light snow began fluttering down and suddenly revelation came...")

The interest, and indeed the importance, of this book is that it calls from the shadows the least-known members of the Greek diaspora – the three million Greeks of the Black Sea, before the dramas of this century drove most of them back home to the Mediterranean.

These Greeks (can we call them Thracians?) of the Danube Delta, the Crimea, Odessa, the Caucasus, Rostov-on-the-Don, etc., have never enjoyed the attention which has rightly been given to their compatriots in Egypt or Asia Minor. Here at last we have a portrait of a vigorous and thriving society of traders and sailors, a picture of a bygone age in which villagers

IN THE TRAIL OF ODYSSEUS
by Marianna Koromila
Michael Russell £14.95, 150 pages

dance on red-hot coals at the Feast of St Panteleimon, the children are all sent off by sailing boat to school in Constantinople, and drunken Cossacks drown in the cellars they have flooded with looted wine.

But Yiankos' life was to be one of repeated crisis and disruption, as he suffered – with remarkable ebullience – the consequences of the Balkan Wars, the first world war, the 1917 Soviet Revolution and its aftermath, the 1929 Crash, the second world war, and Yalta. Again and again he built up a business and a home, whether in Constanza or Galatz or Rostov or the Sea of Azov or Novorosisk or Constanza (again) or Bucharest, only to lose it all and have to move on.

He changed nationality twice and profession 13 times and he was seven times a refugee. He was a money changer, he owned a cafe and then a grocery store, he was director of a state confectionery shop in Romania, and he finished up a farmer in Attica. He survived the Bulgarians and their "ethnic cleansing" of Thracians in 1914, the Anarchists in 1917, the Bolsheviks in 1924, the Iron Guard in 1940, the Stalinists in 1948. He made friends with the German invaders in 1940 and with their Soviet successors in 1945. Always he observed the golden rule of Greeks abroad – keep out of local politics.

In the end, says Koromila, not too fancifully, he followed the guidance of Tiresias to Odysseus – to take an oar and to travel inland to the point where the oar is thought by the locals to be a spade, and there to make his home. In 1950 Yiankos brought his family back to the Mediterranean, as refugees.

All of this is engrossing, but I am a little worried about Koromila's insistence that Homer specifically set *The Odyssey* in the Black Sea, with the Sirens in the Sea of Marmara and Hades located in the Cimmerian Bosphorus at the foot of the Caucasus. This is surely an absurdly literal interpretation of a great poetic myth – and anyhow, Odysseus was aiming for Ithaca, which lies in the other direction. Does this explain why this otherwise splendid slim volume is disgracefully devoid of a proper map?

Peace in the making

Rarely is a journalist's coup quite so comprehensive as the one scored last September by Jane Corbin. Within hours of Yitzhak Rabin, Israel's prime minister, and Yassir Arafat, the chairman of the Palestine Liberation Organisation, shaking hands on the lawn of the White House, Corbin's account of the secret negotiations which led to the deal was being screened by BBC Panorama.

She has now attempted to flesh out her inevitably rather impressionistic account with a more detailed narrative. The format, however, is similar and the book has the accelerating pace of a political thriller.

The cast of characters – the Norwegian expediters, the Israeli amateurs and later the professionals, and the senior PLO figures – occupy centre stage. Their personal chemistry, swings of emotion, suspicions, eating habits, dress styles and largely successful attempts to avoid media attention are minutely chronicled.

So Terje Rod Larsen ("dresses with casual insouciance") and Mona Juul ("something wild and mysterious about her") are the Norwegian "golden couple" at the heart of the negotiations who sometimes exchange "surreptitious glances of dismay". Abu Ala is "the Palestinian banker, though no terrorist himself", who flies into occasional rages and must

GAZA FIRST: THE SECRET NORWAY CHANNEL TO PEACE BETWEEN ISRAEL AND THE PLO
by Jane Corbin
Bloomsbury £15.99, 213 pages

always be given the biggest bedroom, while Uri Savir, the leading Israeli negotiator, on his second day in Norway wanders about in jeans and T-shirt asking: "Where am I? Who am I? What am I doing here?".

There is rather less detail on the actual substance of the negotiations, in part because the process is continuing, but also because of the ambiguity required by both sides in order in order to clinch an agreement which could be sold to their domestic constituencies. Mutual recognition by Israel and the PLO, implicit since the Madrid conference in 1991, was the explicit achievement of the Oslo agreement. All the really contentious issues, such as the future of Israeli settlements, the status of Jerusalem, and the right of Palestinian refugees to return to their own state, have been shelved.

The resolution of those problems will depend on people who did not benefit from the unique atmosphere created at the Norway meetings. Arafat is now back at the centre of world attention, but also subject to greater international scrutiny, while the deeply cautious Rabin is juggling his every word against the stability of his coalition government.

The sudden death last month of Johan Joergen Holst, the Norwegian foreign minister, tragically illustrated the enormous physical and emotional strains imposed on his small team. They emerge as the true heroes. The others have yet to prove that they are as selflessly and courageously committed to a just and lasting peace.

Roger Matthews

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Walking the Dog. 7.50 Peter Pan and the Pirates. 8.15 Chucklevision. 8.35 The Flintstones. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus. A look ahead to this weekend's FA Cup fifth-round ties. 12.50 News. 12.55 Racing from Chepstow: The 1.00 Persian War Premier Novice Hurdle. 1.10 Winter Olympics: Second phase of the Two-Man Bobsleigh. David Coleman commentates. 1.25 Racing: The 1.30 M & N Group Rising Stars Chase. 1.40 Rugby Union: Preview of today's internationals. 1.55 Racing: The 2.00 M & N Group Hurdle. 2.10 Rugby Union: Live coverage from Twickenham of England v Ireland, where the English will be seeking to avenge their Five Nations defeat in Dublin a year ago. Plus, highlights of Wales v France in Cardiff. 4.40 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 The New Adventures of Superman.
6.15 Noel's House Party. Noel Edmonds hosts more mirth and mayhem from Crinkley Bottom.
7.15 Big Break. Cueing kings Steve Davis, Dene O'Kane and Steve James help contestants win prizes.
7.45 Birds of a Feather. The sisters' domineering Aunt Sylvie pays an unwelcome visit to convalesce after a bad fall – but it is Sharon and Tracey who need to recover afterwards.
8.15 Casualty. A crazed gunman takes paramedic Lucy hostage after cracking under the strain of being made redundant, but tragedy strikes when the police besiege his house. Charlie reacts angrily when his requests for additional funding are turned down – and Jane Scott finds herself caught in the crossfire. Hospital drama, starring Derek Thompson, Clive Mantle and Caroline Webster.
9.05 That's Life!
9.45 News and Sport; Weather.
10.05 Match of the Day: The Road to Wembley. Highlights from three of the day's FA Cup fifth-round matches.
11.15 Film: The Lost Capone. Gangster drama, starring Adrian Pasdar as a law enforcement officer who comes into conflict with his notorious brother, Al Capone (Eric Roberts) (1990).
12.45 Weather.
12.50 Close.

BBC2

6.00 Open University. 9.45 Winter Olympic Grandstand. 11.00 Open University.

1.30 The Living Soap. Simon's Valentines prove suspect and Karen believes she has a secret celebrity admirer after receiving flowers.
2.00 Michael Barry's Choice Cuts. A range of vegetarian dishes.
2.10 Horizon. An investigation into what caused a Boeing 737, bound for Colombia in 1992, to plunge into the Panamanian jungle killing hundreds of passengers.
3.00 Animation Now. Bizarre comedy set during a nuclear holocaust.
3.10 Film: Journey Into Fear. World war two spy drama about a daring plot to smuggle arms and munitions into Turkey. Starring Orson Welles and Joseph Cotten (1942).
4.20 Film: Away All Boats. Jeff Chandler stars in this drama as a domineering skipper who clashes with the crew of a small transport boat crew during the Pacific war. With George Nader (1956).
6.10 Scrutiny. Insight into the work of the parliamentary committees.
6.40 News and Sport; Weather.
6.55 Kenneth Clark at the Tate. Art historian Kenneth Clark's visit to the Tate Gallery in 1960, to view its extensive Picasso exhibition.
7.25 Unplugged. Acoustic performance from 1993 by folk-influenced tunesmiths 10,000 Maniacs, featuring all their hits and a guest appearance by ex-Talking Head David Byrne.
8.10 Winter Olympic Grandstand. Ice Skating: Live coverage of the free programme in the Men's Figure Skating competition. Plus action from the Ice Hockey tournament, Women's 500m Speed-Skating, Nordic Combined Individual Ski Jumping and the Men's Combined Cross-Country Skiing.
10.05 Between the Lines. Clark investigates allegations that a respected Liverpool officer used unnecessary force when arresting a young thug – and soon finds himself falling for the chief witness in the case. Will his romantic distractions lead to a miscarriage of justice? Acclaimed police drama, starring Neil Pearson, Michael Angelis, Tom Georgeson, Siobhan Redmond and Edward Tudor Pole.
10.55 Film: Under Satan's Sun. Drama, starring Gerard Depardieu (1987). (English subtitles).
12.30 Later with Jools Holland.
1.30 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Movies, Games and Videos.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 NBA Basketball. Action highlights from the game of the week, and a full round-up of results.
2.10 Life Goes On. Becca falls in love with an egotistical rock singer.
3.05 Film: Carry On Again Doctor. Medical antics from the Carry On team. A surgeon sets up a slimming clinic using a potion supplied by an eccentric doctor. Starring Sid James and Jim Dale (1969).
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.15 Film: Thunderball. Secret agent James Bond leaps into action when the crime syndicate Spectre threatens to destroy Miami. Spy adventure, starring Sean Connery (1965).
7.30 Barrymore. Michael Barrymore invites everyday exhibitionists to demonstrate their talents in the spotlight, including comedian Tommy Cockles, catwalk models who display leatherware, two tap-dancing youngers from Coventry, and an Essex woman who talks about her family's 100-year involvement in showbiz.
8.30 Beadle's About. Jeremy Beadle plays pranks on members of the public.
9.00 ITN News; Weather.
9.10 London Weather.
9.15 Film: Heartbreak Ridge. Clint Eastwood adopts a voice of pure granite and a manner to match as a hell-raising Marine sergeant assigned to whip a squadron of young recruits into shape for the invasion of Grenada. Action adventure, also starring Marsha Mason, Everett McGill, Moses Gunn and Bo Svenson (1986).
11.40 Comedy Club. Linda Smith, Phil Jupitus, Bob Mills and The Rubber Bishops.
12.05 Film: Kojak: None So Blind. Kojak suspects a family of wealthy department store owners had a hand in an accountant's murder. Police drama, starring Telly Savalas (TVM 1989).
1.50 Tour of Duty.
2.45 Get Stuffed; ITN News Headlines.
2.50 The Big E.
3.45 Get Stuffed; ITN News Headlines.
3.50 Travel Trails.
4.25 BPM.; Night Shift.

CHANNEL4

5.00 4-Tel on View. 6.25 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzetta Football Italia. 12.00 World Tennis. 12.30pm Islamic Conversations.

1.00 Film: Orders are Orders. Slapstick comedy, starring Brian Reece and Tony Hancock (1954).
2.25 Racing from Newcastle. The 2.30 Newcastle Building Society Nova Novices Chase, 3.00 Newcastle Building Society Handicap Hurdle, 3.35 Tote Elder Handicap Chase, 4.10 Newcastle Brown Ale Top of the North Novices Hurdle, and the 4.40 Newcastle Building Society Handicap Chase.
5.05 Brookside.
6.30 Right to Reply. Viewers' reports and opinions on recent TV programmes.
7.00 A Week in Politics. Irreverent recap of the week's parliamentary stories; **News Summary.**
8.00 Baka: People of the Rain Forest. First of a two-part award-winning documentary about the Baka Pygmies by film-maker Phil Agland, who built up a rapport with the tribe during a two-year stint in the rainforests of east Cameroon. Agland's film paints a moving picture of a people struggling to survive the relentless advance of the modern world.
9.00 NYPD Blue. Kelly is forced to arrest a close friend when a basketball match ends in tragedy, and Sipowitz suspects a householder may be concealing the truth about a shooting in which his wife was killed. Police drama, starring David Caruso and Dennis Franz.
10.00 Don't Forget Your Toothbrush. Zany entertainment show, with Chris Evans.
11.05 United States of Television. Laura Kightlinger looks at crime bulletins on US channels to see how accurately they present violent robberies and attacks. She also shows how the forces of law and order have not been slow to realise the benefits of the small-screen, canvassing public support by producing programmes such as Real Stories of the Highway Patrol.
11.50 Broadway Stories. Damon Runyon tale about a woman who leaves her brutal husband, and exacts a bizarre revenge after he has made his fortune.
12.30 Late Licence.
12.35 Viva Cabaret.
1.20 Herman's Head.
1.55 The Word.
2.55 T'Pau Live.
3.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 1.10 Cartoon Time. 1.20 The Munsters Today. 1.50 COPS. 2.20 Anglia Sport Special. 3.45 Knight Rider. 4.55 Anglia News and Sport 9.10 Anglia Weather. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

BORDER: 1.05 Border News. 1.10 Jesse. (TVM 1988) 3.00 The A-Team. 3.55 Superstars of Wrestling. 4.55 Border News and Weather 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

CENTRAL: 12.30 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 Knight Rider. 3.00 The A-Team. 3.55 WCW Worldwide Wrestling. 4.55 Central News 5.00 The Central Match - Goals Extra. 9.10 Local Weather. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

GRAMPIAN: 12.30 Cruinne-Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Speaking Our Language. 2.10 Wet and Wild. 2.40 Mr and Mrs North. (1941) 3.50 WCW Worldwide Wrestling. 4.55 Grampian Headlines 5.00 Grampian News Review. 9.10 Grampian Weather. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

GRANADA: 1.05 Granada News 1.10 Jesse. (TVM 1988) 3.00 The A-Team. 3.55 Superstars of Wrestling. 4.55 Granada News 5.00 Cartoon. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

HTV: 12.30 The Littlest Hobo. 1.05 HTV News. 1.10 Express to Terror. (1979) 3.00 Cartoon Time. 3.15 Movies, Games and Videos. 3.45 The A-Team. 5.00 HTV News and Sport 9.10 HTV Weather. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

MERIDIAN: 12.30 Heidi. 1.05 Meridian News. 1.10 The Munsters Today. 1.40 NBA Basketball. 2.40 International Ice Hockey. 3.40 The A-Team. 4.55 Meridian News. 5.10 Cartoon. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

SCOTTISH: 12.30 Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telefios. 2.10 Voyage to the Bottom of the Sea. (1961) 3.50 The A-Team. 5.00 Scotland Today 9.10 Scottish Weather. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

TYNE TEES: 1.05 Tyne Tees News. 1.10 The Munsters Today. 1.35 Wanted: Dead or Alive. 2.05 The Son of Robin Hood. (1958) 3.45 Knight Rider. 4.55 Tyne Tees Saturday 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

WESTCOUNTRY: 1.05 Westcountry Weekend Latest. 2.10 Carry On Sergeant. (1958) 3.45 The A-Team. 5.00 Westcountry Weekend Latest. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

YORKSHIRE: 1.05 Calendar News. 1.10 The Munsters Today. 1.35 Wanted: Dead or Alive. 2.05 The Son of Robin Hood. (1958) 3.45 Knight Rider. 4.55 Calendar News. 11.40 Gideon Oliver: By the Rivers of Babylon. (TVM 1988)

SUNDAY

BBC1

6.20 Match of the Day: The Road to Wembley. 7.30 Penny Crayon. 7.40 Playdays. 8.00 The Little Green Planet Show. 8.15 Breakfast with Frost. 9.15 Lead Kindly Light. 10.00 Simon and the Witch. 10.15 Incredible Games. 10.40 Grange Hill. 11.05 Short Change. 11.30 Maid Marian and Her Merry Men.

12.00 Italianissimo. Anna Mazzotti meets young people in Rome.
12.15 See Hear! Efforts to restore a child's hearing with an electronic implant. With sign language and in-vision subtitles.
12.30 CountryFile.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 On the Record. John Humphrys analyses the week's political events.
2.00 EastEnders.
3.00 Match of the Day: The Road to Wembley. Bolton Wanderers v Aston Villa from Burnden Park. Live coverage of the FA Cup fifth-round tie, introduced by Desmond Lynam.
5.00 The Clothes Show. Caryn Franklin meets the designer responsible for Bride of the Year Kerry Doyland's dress. Plus, the latest French nightwear.
5.25 Antiques Roadshow.
6.10 News.
6.25 Songs of Praise. Alan Titchmarsh presents a celebration from the Bunyan Meeting Free Church in Bedford for the first Sunday in Lent.
7.00 As Time Goes By. Jean and Lionel jet off to Tinseltown to discuss a mini-series based on their love affair. Comedy, starring Judi Dench and Geoffrey Palmer.
7.30 The House of Eliott. Fashion drama set in the 1920s, starring Stella Gonet and Louise Lombard.
8.25 Film: King Ralph. Premiere. John Goodman stars in this outrageous comedy about a larger-than-life Las Vegas entertainer who ascends to the throne of England. With Peter O'Toole and John Hurt (1991).
9.55 News and Weather.
10.10 Sunday Night Clive. New series. Tom Hanks joins Clive James for a barrowload of witty observations and headline stories from around the world.
10.55 Heart of the Matter. Joan Bakewell investigates topical ethical issues.
11.30 Steven Spielberg's Amazing Stories. A horror novelist has a terrifying encounter with a black-caped phantom.
11.55 Channel Hopping. New series. Tips on gaining employment abroad, including a special report from Milan.
12.25 Weather.
12.30 Close.

BBC2

6.15 Open University. 9.10 Draw Me. 9.25 The Animals of Farthing Wood.

9.55 Winter Olympic Grandstand. Bobsleigh: Action from Hunderfossen of the two-man event. Ski-jumping: Live coverage of the individual large hill competition.
3.00 Around Westminster. Review of the latest political events.
3.30 Film: Master of Ballantrae. Swashbuckler set during the rebellion of Bonnie Prince Charlie, about two brothers whose lives are torn apart by the conflict. Errol Flynn stars (1953).
5.00 Sarajevo: A Street under Siege. Report from the besieged city.
5.10 Rugby Special. Chris Rea introduces highlights of England's clash with Ireland, and the match between Wales and France.
6.10 Sex, Hot Eruptions and Chilli Peppers. New series. Barry Paine delves into the archives to review wildlife and natural history programmes from The Natural World over the past 25 years.
7.00 Winter Olympic Grandstand. Figure skating: Live coverage of the original ice dance competition, featuring Torvill and Dean. Ice hockey: Russia v The Czech Republic; Germany v Finland. Speed-skating: The men's 10,000m.
9.00 Match of the Day: The Road to Wembley. Highlights of the FA Cup fifth-round clash between Wimbledon and Manchester United.
9.50 The Picasso Files. A study of the scandal surrounding the acclaimed artist's decision in 1944 to join the French Communist Party – an act with profound implications for his cultural standing in both Russia and America. Experts discuss how authorities on both sides of the Iron Curtain responded to Picasso's new allegiance as artists became unwitting tools in the Cold War propaganda campaign.
10.35 Moving Pictures. Controversial director Jonathan Demme, the man responsible for the multi-Oscar-winning Silence of the Lambs, discusses his latest screen offering, Philadelphia, which deals with the sensitive subject of Aids. Plus, low-budget movie-making in the UK.
11.25 Film: Longtime Companion. Drama about a group of gay New Yorkers whose lives are devastated by the spread of Aids during the 1980s. Stephen Caffrey and Patrick Cassidy star (1990).
1.05 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 This Sunday. 12.30pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interviews with John Hume and David Curry.
2.00 Film: The Great Escape. Allied prisoners held in a maximum-security detention camp plan an ingenious break-out. PoW drama, starring Steve McQueen and Richard Attenborough (1963).
5.05 Father Dowling Investigates. Sister Steve swaps places with a British noblewoman to infiltrate an unusual trade delegation.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Film: The Karate Kid. A teenager acquires martial arts skills to fight back against the local bullies. Action adventure, starring Ralph Macchio and Pat Morita (1984).
8.30 You've Been Framed. A selection of home video howlers.
9.00 Film: Look Who's Talking Too. John Travolta, Kirstie Alley and wise-cracking toddler Mikey are joined by a new baby sister in this comedy premiere, with the voices of Bruce Willis and Roseanne Arnold (1990).
10.30 ITN News; Weather.
10.40 London Weather.
10.45 The South Bank Show. Profile of American entertainer Danny Kaye, who for more than 40 years made a significant impact on the cinema, TV and theatre, and won the hearts of the post-war British public with a string of acclaimed performances at the London Palladium. Although best known for his celluloid roles as Hans Christian Andersen and James Thurber's anti-hero Walter Mitty, Kaye was a man of many parts – comedian, singer, dancer, pilot and chef – and Melvyn Bragg traces his career with the help of daughter Dena, plus colleagues and friends including Oscar-winning actor Joel Grey.
11.50 Sail the World. Gareth Evans and Tracy Edwards report from Auckland as the fourth leg gets under way.
12.20 Cue the Music.
1.20 Get Stuffed; ITN News Headlines.
1.25 War of the Worlds.
2.20 Get Stuffed; ITN News Headlines.
2.25 Music from the Circus.
3.00 Off Beat.
3.30 Snooker: The European League.
5.00 Dining in France.

CHANNEL4

6.05 Early Morning. 9.45 The Lone Ranger. 10.15 Saved by the Bell. 10.45 Planet of the Apes. 11.45 Little House on the Prairie.

12.45 The Northumberland Challenge BAF World Cross-Country Trials. Coverage of the world championship qualifying event from Alnwick Castle.
1.45 Football Italia. Kenneth Wolstenholme and James Richardson introduce action from Lazio v AC Milan.
4.00 Dinosaur Footprints. Exploration of the prehistoric reptiles' behaviour, diet and possible migration patterns.
5.05 Royal Flush. Dutch animation about housework.
5.10 News Summary; Weather.
5.15 The Money Police. New series. Documentary insight into the world of finance, beginning with a look at the work of the Inland Revenue which, in addition to collecting £600m daily in taxes, has departments to deal with fiscal problems ranging from tracking down unregistered companies to assessing the value of racehorses.
6.00 Moviewatch. The latest film reviews and Hollywood gossip.
6.30 The Cosby Show.
7.00 Encounters. Profile of a group of enthusiasts who use cameras and recording equipment to document the tornadoes which hit Oklahoma every spring. Some see their dangerous activity as a thrilling hobby, while others provide a public service by giving storm warnings on local TV, or undertaking research on behalf of scientific institutions.
8.00 Distant Echoes: Yo-Yo Ma and the Kalahari Bushmen. Report on the acclaimed Chinese cellist's visit to the African desert region to meet the nomadic Kung bushmen, learn more about their tradition of musical performance and discover what it has in common with western classical music.
9.00 Film: Misery. Premiere. Adaptation of Stephen King's novel, starring James Caan as an author rescued from a car crash by a psychopathic fan (Oscar winner Kathy Bates) (1990).
11.00 The Falklands War. Investigation into the British fleet's vulnerability to attacks from the Argentinian air force.
12.00 Crac.
12.20 Film: Asya's Happiness. Rural Russian drama following the efforts of a lame cook (Iya Savvina) to cope with village life (1967). (English subtitles).
2.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Food Guide. 12.55 Anglia News. 2.00 Anglia Sport Special. 2.50 Wish You Were Here? 3.20 Carry On Nurse. (1959) 5.00 Bullseye. 5.30 Animal Country. 6.00 Anglia News on Sunday 10.40 Anglia Weather.

BORDER: 12.30 Gardener's Diary. 12.55 Border News. 2.00 Satan Never Sleeps. (1962) 4.20 Highway to Heaven. 5.15 Coronation Street. 6.15 Border News.

CENTRAL: 12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 It's Your Shout. 2.50 Laugh with the Carry Ons. 3.20 Colour Scheme. (1978) 4.50 Zoo Life with Jack Hanna. 5.15 Bullseye. 5.45 Hit the Town. 6.15 Central News 10.40 Local Weather. 11.50 Billy.

GRAMPIAN: 11.00 Deasnamaid Gairdeachas. 11.45 Elkon. 12.00 This Sunday. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Sail the World. 2.30 Best and Worst of Sports. 2.50 Zorro. 3.20 Highway to Heaven. 4.15 Movies, Games and Videos. 4.45 Animal Country. 5.15 The Great Munros Challenge: Man Versus Mountain. 6.15 Grampian Headlines 10.40 Grampian Weather. 11.50 Living and Growing for Adults.

GRANADA: 12.25 Granada On Sunday. 12.55 Granada News 2.00 The Granada Match - Update. 3.00 El Dorado. (1966) 5.15 Coronation Street. 6.15 Granada News

HTV: 12.25 Meredith on Sunday. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 The West Match. 3.00 Sail the World. 3.30 After the Promise. (TVM 1987) 5.20 The Great Bong. 5.45 Journeyman. 6.15 HTV News. 10.40 HTV Weather. 11.50 Wanted: Dead or Alive.

MERIDIAN: 12.30 Seven Days. 12.50 Meridian News. 2.00 The Pier. 2.25 The Listings. 2.30 Sail the World. 3.00 Diana: A Princess Alone. 4.00 Highway to Heaven. 5.00 Cartoon. 5.15 Wish You Were Here? 5.45 Animal Country. 6.15 Meridian News. 11.50 The Pier.

SCOTTISH: 11.00 Deasnamaid Gairdeachas. 11.45 Elkon. 12.00 This Sunday. 12.30 Wemyss Bay 902101. 12.55 Scotland Today. 2.00 Bridge at Remagen. (1968) 4.00 Stunts Unlimited. (TVM 1980) 5.15 Movies, Games and Videos. 5.45 Border Raid. 6.15 Scotland Today 10.45 The Highest Court. 11.45 The South Bank Show.

TYNE TEES: 12.25 Tyne Tees Newsweek. 12.55 Tyne Tees News. 2.00 Highway to Heaven. 2.55 Westward Ho, the Wagons. (1959) 4.50 Stuntmasters. 5.50 Tyne Tees Weekend. 10.40 Local Weather. 11.50 Urban Angel.

WESTCOUNTRY: 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Sail the World. 2.30 The Norman Swordsman. (1971) 4.20 Roadrunner. 4.50 Getaways. 5.20 Life Goes On. 6.15 Westcountry Weekend Latest. 11.50 Wild World of the East.

YORKSHIRE: 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 Westward Ho, the Wagons. (1959) 4.50 Stuntmasters. 5.50 Calendar News and Weather 10.40 Local Weather. 11.50 Urban Angel.

RADIO

SATURDAY

BBC RADIO 2

6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Sally O'Sullivan 12.00 Hayes on Saturday 1.30 Ken Dodd's Comedy Club 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 The Last Days of Tin Pan Alley. 5.00 Cinema 2. 5.30 Nick Barraclough. 6.00 Great Swing Battles. 7.00 At Home with Sandy Gall. 7.30 Romance, Jazz and Country. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3

6.30 Open University: Creativity in Management. 6.55 Weather. 7.00 Record Review 9.00 Building a Library. David Fallows looks at Palestrina's masses. 10.10 Record Release. Dohnanyi, Schumann, Debussy, Verdi, Barber. 12.00 Spirit of the Age 1.00 News. 1.05 Selected Poets. 1.20 The Fine Song. 2.00 Chamber Music from Bristol. 3.00 Vintage Years. 5.00 Jazz Record Requests. 5.45 Music Matters. With composer Mark-Anthony Turnage. 6.30 Live from the Met. Donizetti's first French opera, La Fille du Regiment. 9.10 The Reith Lectures: Managing Monsters. Perceptions of animals. 9.40 Nikolaeva Plays Bach's '48'. 10.15 London Jazz Orchestra. Concert given as part of the Highbury Festival. 12.30 News. 12.35 Close.

BBC RADIO 4

6.00 News. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. Holiday and travel guide. 10.00 Loose Ends. 11.00 The Week in Westminster. 11.30 From Our Own Correspondent. 12.00 Money Box - A Question of Money. From the Personal Finance Show at Olympia. 12.25 Just a Minute. 1.00 News. 1.10 Any Questions? 2.00 Any Answers? 071-580 4444. Phone-in response programme. 2.30 Playhouse: Lent. By Michael Wilcox, Stephanie Cole stars. 4.00 Age to Age. Historian Thomas Babington Macaulay. 4.30 Science Now. 5.00 File on 4. 5.40 Siesta Days, Fiesta Nights. By Drew Launay. 6.00 News and Sports Round-Up. 6.25 Week Ending. 6.50 Ad-Lib. 7.20 Kaleidoscope. Architecture in Berlin. 7.50 Saturday Night Theatre: The Understudy. A psychological ghost story by Jo Anderson. 9.20 Music in Mind. 9.50 Ten to Ten. 10.00 News. 10.15 Quote Unquote. 10.45 Testing Times. 11.00 Mirrored in Music. 11.30 Fear on Four. 12.00 News. 12.33 Shipping Forecast. 12.43 (FM) Close. 12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service. 6.30 Mark Curry's Weekend Edition. 9.30 Get Set. 10.30 The Teenage Detective. 11.00 Go! 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.30 Sport on Five. 6.05 Test Match Special. 10.15 The Way Out. 12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m) at these times GMT:

6.00 News; British News; The World Today. 6.30 Europe Today. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 Printer's Devil. 10.15 Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From the Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith; Multitrack Three. 12.45 Sports Round-up. 1.00 Newshour. 2.00 News Summary; John Peel. 2.30 Sportsworld. 3.00 News; Sportsworld. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News Summary; Sportsworld. 5.30 BBC English. 6.00 Newsdesk. 6.30 Heute Aktuell. 7.00 Nachrichten. 7.05 Weekend Feature. 8.00 News; Words of Faith; Personal View; Megamorphosis. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary. 1.01 Play of the Week: Siggie and Carl. 2.00 Newsdesk. 2.30 The Art of Travel. 3.00 News; British News; Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Alexis Korner's Rhythm 'n' Blues. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 The Jack Hylton Story. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: Pre-Modern Societies. 6.55 Weather. 7.00 Sacred and Profane. Delius, Janacek, Schubert, David, Schmitt. 9.00 Brian Kay's Sunday Morning. 12.15 Music Matters. Ivan Hewett in conversation with Mark Anthony Turnage. 1.00 News. 1.05 From the Proms 1993. Tchaikovsky, Rachmaninov, Ravel orch Tortelier, Respighi. 2.45 Chaminade. 3.10 Berlioz. La Damnation de Faust. 5.45 Making Waves. With actor Brian Glover. 6.30 Mozart and Elgar. 7.30 Sunday Play: The Pond. Thomas Strittmatter's black comedy. 8.50 Music in Our Time. Benedict Mason. 9.50 Choir Works. Schumann: Scenes from Goethe's Faust. Schnittke: Faust Cantata. 12.30 News. 12.35 Close.

BBC RADIO 4

6.00 News. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday. 8.50 Claire Rayner. 9.00 News. 9.10 Sunday Papers. 9.15 Letter From America. 9.30 Were You There? 10.15 The Archers. Omnibus. 11.15 Mediumwave. The week's events in the media. 11.45 Itchy Feet. 12.15 Desert Island Discs. 1.00 The World This Weekend. 2.00 Gardeners' Question Time. 2.30 Classic Serial: The War of the End of the World. 3.30 Pick of the Week. 4.15 Analysis. 5.00 Homing in on the Hill. 5.30 Poetry Please! 6.00 Six O'Clock News. 6.15 Feedback. 6.30 Hello, Phil Korbel discusses first impressions. 7.00 The Word on the Street. 7.30 Conversation Piece. 8.00 (LW) Open University. 8.00 VIPs: Karl Marx. 8.30 Generals of the Revolution: Telford and the Forgotten Engineer. 8.50 Fred Dibnah on Generals of the Revolution. 9.00 Literature and Ideology. 9.20 Issues in Women's Studies: Public Voices. 9.40 Talking About the Enlightenment. 8.00 (FM) Age to Age. 8.30 (FM) SOS. Dr Gordon Turnbull, who counsels emergency workers. 9.00 (FM) The Natural History Programme. 9.30 (FM) Special Assignment. 10.00 News. 10.15 With Great Pleasure. Liz Lochhead presents poetry, prose and drama. 11.00 In Committee. 11.30 Seeds of Faith. 12.00 News. 12.33 Shipping Forecast. 12.43 (LW) As BBC World Service. 12.43 (FM) Close.

BBC RADIO 5

6.00 World Service. 6.30 Mark Curry's Weekend Edition. 9.30 The Wind in the Willows. 10.00 Johnnie Walker. 11.30 Fantasy Football League. 12.30 Simon Fanshawe's Sunday Brunch. 2.00 A Century Remembered. 2.30 Sporting Albums. 3.00 Test Match Special Plus. 10.15 Across the Line. 12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:

6.00 News; British News; Printer's Devil. 6.30 Jazz For The Asking. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Ray On Record. 9.00 News; World Business Review. 9.15 Short Story: The Day of the Dancing Devil. 9.30 Folk Routes. 9.45 Sports Round-up. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 News Summary; Play of the Week: Siggie and Carl. 1.00 Newshour. 2.00 News Summary; This Is Your Sport. 2.30 Anything Goes. 3.00 News; International Recital. 4.00 News; British News; BBC English. 4.30 News in German. 5.00 News; World Business Review; BBC English. 6.00 Newsdesk. 6.30 News in German. 8.00 News; Words of Faith; Folk Routes. 8.30 Europe Today. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; World Business Review; Ray On Record. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary: Opera of the Week. 1.45 Top Scores. 2.00 Newsdesk. 2.30 Composer Of The Month. 3.00 News; British News; Sports Roundup. 3.30 Anything Goes. 4.00 News; Animals of Power. 4.30 BBC English. 4.45 News and Press Review in German.

CHESS

Mark Taimanov deserved his success last autumn when he won the world title for over-60s. Earlier in his career he was USSR champion, a world title candidate, and a concert pianist who performed duets with his wife.

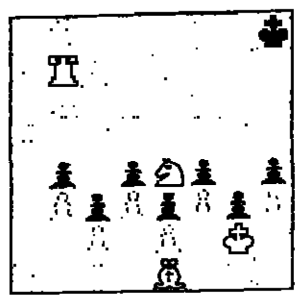
In 1971, it all went wrong. Taimanov lost 6-0 to Bobby Fischer in a candidates match, and was so confused by his own analysis in one game that he blundered a rook.

Back in Moscow, they found a copy of *Dr Zhivago* in his luggage. He was stripped of his Master of Sport title, a GM's meal ticket; his wife left him, and for a while he could not perform as player or pianist. Officials only relented when Fischer also crushed his later opponents.

In this typical expert v GM game, the overawed loser helps engineer his own defeat (H Hoffmann, White; M Taimanov, Black; World Senior 1993).

1 c4 e5 2 Nc3 Bb4 3 Nf3 Nc6 4 Qc2 Nge7 Taimanov's patent in the Sicilian Defence, tried in a new context. 5 g3 0-0 6 Bg2 d6 7 a3 Bf5 8 d3 Bxc3+ 9 Qxc3 Qd7 10 0-0 Bh3 11 b4 Bxg2 12 Kxg2 Nf5 13 Bb2 Rfe8 14 e3 f6 15 b5 Nd8 16 e4 Ne7 17 a4 Ne6 Black has provoked pawn advances and threatens Nf4+. 18 Bc1? Better 18 d4, when if c5 19 dxc6 ep. c6 19 d4 c5! A knight settles at d4, and White is struggling. 20 d5 Nd4 21 Ne1 f5 22 f3 fxe4 23 fxe4 Rf8 24 Rxf8+ Rxf8 25 Ra2 Qg4! The e4 pawn is the key weakness. 26 Qd3 Ng6 27 Be3 Nf4+ 28 Bxf4 Rxf4 29 Rf2 Rxe4 30 h3 Qg6 31 Resigns If 31 Nf3 Nxf3 32 Qxf3 Rf4! with a routine win.

No 1009



White mates in seven moves at latest, against any defence. This old puzzle looks impossible since 1 Nf6? is stalemate while the pawns block in White's bishop.

Solution Page XXI

Leonard Barden

BRIDGE

The Extra Edge in Play, by Terence Reese and Julian Pottage (Gollancz £6.99), contains many instructive and stimulating hands. I recommend this book with confidence. Let us study Test Case:

	N	
	♠ 9 6 4 3	
	♥ K 8 5 3	
	♦ A Q	
	♣ A 7 5	
W		E
♠ A K 10 7 5		♠ 8
♥ 10		♥ J 4
♦ 10 6 5		♦ K 9 8 4 3 2
♣ Q 9 3 2		♣ J 10 8 6
	S	
	♠ Q J 2	
	♥ A Q 9 7 6 2	
	♦ J 7	
	♣ K 4	

North deals with neither side vulnerable and opens with one no-trump (weak). South replies with three hearts and North re-bids four clubs. This accepts hearts as trumps, shows the club control and expresses willingness to explore slam possibilities. But South, with no such ambitions, closes the auction with four hearts.

West leads the ace of spades and continues with the king. East discards a diamond. A third spade is ruffed and East returns the club knave. How should declarer proceed?

With West holding length in spades, East is likely to hold the diamond king. The declarer should take with his club king, draw the remaining trumps with his ace, cash the ace of diamonds and then run off four more trumps. In the three-card ending, West holds spade 10 and queen and nine of clubs; dummy has spade nine plus ace and seven of clubs; East holds diamond king and 10 and eight of clubs; while South has heart six, diamond king and four of clubs.

South plays his remaining heart and effects a double squeeze. Forced to keep his 10 of spades, West has to throw the nine of clubs. Dummy throws the spade nine and East feels the pressure. He has no good discard. Contract fulfilled.

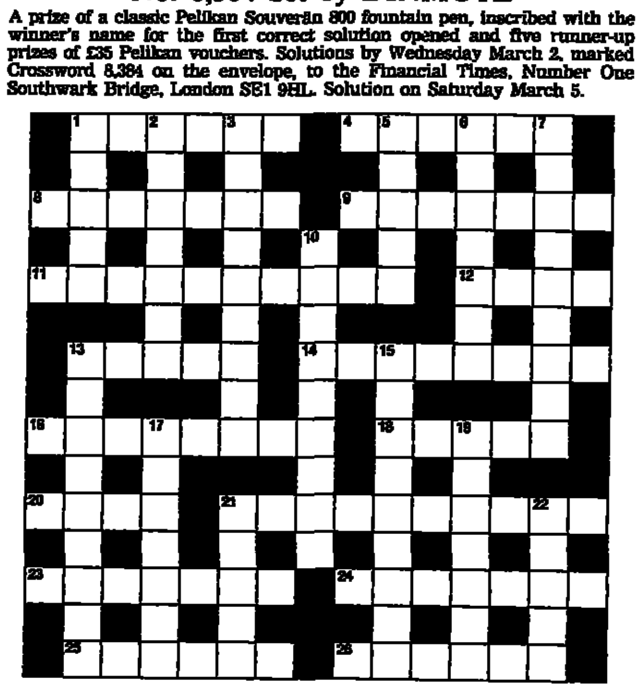
Note the Vienna Coup – the cashing of the diamond ace. Without this, the squeeze does not work.

E.P.C. Cotter

CROSSWORD

No. 8,384 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 2, marked Crossword 8,384 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 5.



Name__________

Address__________

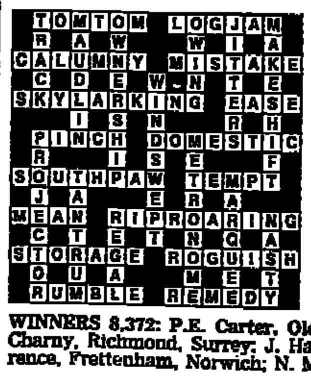
ACROSS

1 Up a third?(6)
4 In favour of price ban (6)
8 Showing reverence for a party circle . . . . (7)
9 . . . . does break the ice, see? (7)
11 Reading about commendation (10)
12 Deposited article in hat (4)
13 I step off the beaten track (5)
14 Amenable to having motorway running through dwelling? (8)
16 Old king's charter for salad (8)
18 Stuck with Gloucestershire's openers, due to get out (5)
20 Extract of seaweed from Malaga rocks (4)
21 Third-party nuisance, a bit of a fool? (10)
23 Influence move to strike . . . (7)
24 . . . . strike involving hot-tempered person (7)
25 Hunter's D minor variation (6)
26 In the course of taking maid out to street (6)

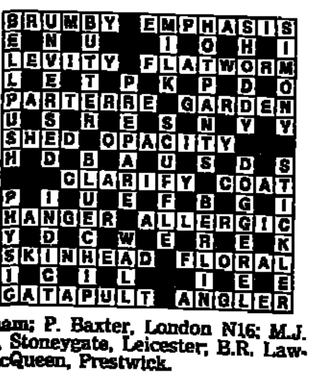
DOWN

1 Drum of high pressure? (5)
2 Cuffs in classics, we hear (7)
3 Peach of an apple? (9)
5 Advanced, electrically charged atom in bulb (5)
6 Belly-ache follows half the bugs of the country (7)
7 Quiet, having passed away outside and made a spirit (9)
10 One holds plants under the light (6-3)
13 Worker at till who plods wearily home in lines? (9)
15 This element is amusing me, in a way (9)
17 A murder suspect, one hears (7)
19 Drastically affected at university, having finished (7)
21 Puff oxygen with delight (5)
22 Right oven to be uncomfortably hot? (5)

Solution 8,383



Solution 8,372



WINNERS 8,372: P.E. Carter, Oldham; P. Baxter, London N16; M.J. Charny, Richmond, Surrey; J. Hall, Stoneygate, Leicester; B.R. Lawrence, Frettenham, Norwich; N. MacQueen, Prestwick.

Private vices and publication

***Dominic Lawson** looks at the fashion for posthumous attacks on public figures*

The debunking biography is high fashion. Publishers now love nothing more than a book which will prove that cherished public idols have not only feet of clay, but are brittle through and through. *Or rather, were* brittle. Such biographies could never survive the English laws on defamation, were it not for the fact that dead men cannot sue.

This week Sir Stephen Spender, happily still with us, managed, through legal action, to cause the pulping of an ostensible work of fiction which appeared to be based on alleged homosexual relationships in his youth. But it must irk Sir Stephen that he cannot guarantee his posthumous reputation. I am prepared to bet that the temporarily stymied publisher of the fiction will gleefully reprint the book immediately upon the poet's death, with a slogan such as "The book *Sir Stephen Spender banned!*"

This week two further examples of the genre have been serialised in the newspapers. One is *Roald Dahl*, by Jeremy Treglown, to be published by Faber and Faber in March. The other is *John Arlott, a Memoir*, by Timothy Arlott, published by Andre Deutsch next Tuesday. Dahl, whose books for children give more pleasure to their young readers than almost any other such writer since the days of the Brothers Grimm, is portrayed by Jeremy Treglown as selfish, ruthless and heartless.

In one episode Dahl is said to have fed his daughter a sleeping pill, apparently so that he would be *safe to have a telephone conversation* with one of his mistresses. Unfortunately for Dahl, the potion did not take effect, his daughter overheard the conversation, and challenged her father.

The author, according to his biographer then addressed his daughter thus: "You've always been trouble, you've always been a nosy little bitch. I want you to get out of this house now."

I am certainly not going to fault Treglown's research, still less his motives. But will Willy Wonka's chocolate factory ever seem the same? At the least, the product might taste a little more bitter.

The case of the Arlott biography is *more poignant. The subject* was one of Britain's best loved broadcasters. His reputation was of a kind gentle and generous man. The author who manages to drill a few holes in this picture is John Arlott's son. Tim Arlott gives credit to his father where he believes credit is due, but is ruthlessly honest about the great cricket commentator's late years, describing him as: "a selfish, demanding, limited and impossible old man."

I suspect that the majority of men become selfish, demanding and impossible in their old age, unless they have managed to do so earlier. But some of the stories that Timothy tells about his father are chilling nonetheless.

Perhaps there are some who will read Arlott junior's book and not be able to recall the old boy's wonderfully generous commentaries. But I imagine that for most of us, the revelations will seem insignificant compared to the pleasure we gained from the outward manifestation of John Arlott's character. Above all, none of it means that he was one whit a lesser man as a professional; he managed never to inflict the darker side of his character on to the public who adored him.

While I am sure that this will be the common reaction to young Arlott's revelations, it is strange that such licence is not now being given to *our politicians. Most* people seem to believe that Stephen Milligan's strange and entirely solitary sexual practices would have rendered him unsuitable for high office. Few people have said that it is an absurdity beyond measure that another Conservative MP should have felt compelled to resign junior office because he sent love poems to an assistant.

If we approved of what a politician did before we knew of his private vices, we should continue to vote for him and his policies. If we did not like his policies then we should never give our support, no matter how saintly his private life. As has been said before, civilised society cannot survive without a certain amount of hypocrisy.

■ *Dominic Lawson is editor of The Spectator.*

Too many genes

Michael Thompson-Noel

Never have I felt so glad to return to London as I did last weekend. Good old England; praise God for Naffshire. How snug things seemed. Comforting. Familiar. A government of tired incompetents lecturing an electorate of (mainly) idiots on how to comport themselves. *Another* Tory scandal. Decrepitude. Banality.

I am a surprisingly simple soul: always highly amiable, a boon in office or home. But I was in such a depressed state when I returned from Delhi last weekend that I almost fell to the ground at Heathrow and kissed Naffshire's sod, so pleased was I to be back.

I had not been to India before. I was there only briefly. But I was outraged by what I saw – filth, pollution and poverty on a scale hard to stomach; people milling wretchedly; the degradation of humanity on an eye-popping scale.

I had to keep rubbing my eyes, for India seemed a parody of a country, so unreal, so far off-course, that I felt I had strayed into a time-kink from the middle of the next century, when population pressures will be exacting a dreadful price for our inability to control our breeding.

HAWKS & HANDSAWS

By coincidence I was reading, while in Delhi, Aldous Huxley's *Brave New World Revisited*. It was published in 1959, as Huxley's second opinion on the phantasmagoric prophesies contained in his novel, *Brave New World*, written in 1931.

I would guess that for every 1,000 who have read *Brave New World*, only a handful have read *Brave New World Revisited*. You should try it, especially if you have just handed a small boy, only five or six years old, one of India's Untouchables, a few rupees in a Delhi street and have watched his scabbed little face light up with a smile of disbelief.

Huxley was much exercised by over-population. This was not the space age but the age of over-population. In the Brave New World of his fable, he wrote, the problem of human numbers in relation to natural resources had been effectively solved. But in the real world the problem was "becoming graver and more formidable with every passing year. It is against this grim biological background that all the political, economic, cultural and psychological dramas of our time are being played out."

That quote is from the first chapter of *Brave New World Revisited*. It is in the second chapter that Huxley really let rip, and he did so by venturing into areas that are simply not discussed today.

In his Brave New World, he said, eugenics and dysgenics were practised systematically: Betas, Alphas and even Alpha-pluses out of one set of laboratory bottles; biologically inferior, almost sub-human, creatures from another set.

In the real world, we did nothing systematic about our breeding. "But in our random and unregulated way we are not only over-populating our planet, we are also, it would seem, making sure that these greater numbers shall be of biologically poorer quality... Under the conditions now prevailing, every advance in medicine will tend to be offset by a corresponding advance in the survival rates of individuals cursed by some genetic insufficiency."

Result: no improvement, or perhaps a deterioration, in average health standards, and perhaps a decline in average intelligence. Going further, Huxley quoted a Dr W.H. Sheldon as claiming that it was "the fashion in some academic circles to assure students that the alarm over differential birth-rates is unfounded; that these problems are merely economic, or merely educational, or merely religious, or merely cultural or something ... This is Pollyanna optimism. Reproductive delinquency is biological and basic."

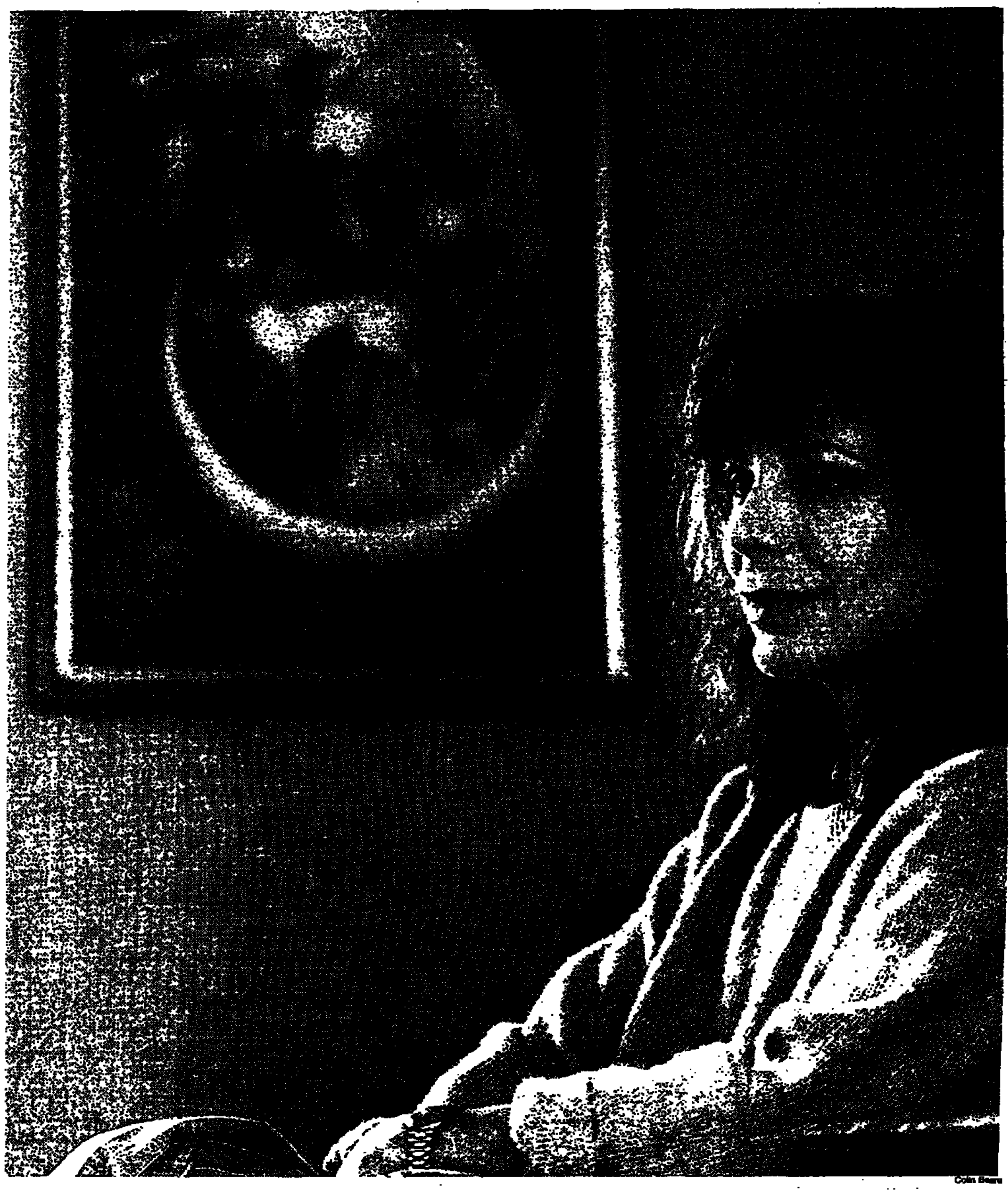
What chilled me especially as I stared through the windows of my tourist coach in Delhi was Huxley's conclusion. "What," he asked, "about the congenitally insufficient organisms, whom our medicine and our social services now preserve so that they may propagate their kind? ... the wholesale transmission to our descendants of the results of unfavourable mutations, and the progressive contamination of the genetic pool from which members of our species will have to draw, [is] obviously bad."

Huxley didn't have any answers. But at least he asked the questions. Where have those questions gone? Why have they been purged? Why the great silence? I believe I know the answer. I think we have grown afraid. The thing that is frightening us most is the *sight* of our own teeming shadows.

Private View / Christian Tyler

Sibyl of an age of anxiety

Liz Greene, a Jungian psychotherapist, talks about the age of Aquarius



Colin Beare

She was poised, a beautiful sibyl, under her own painting of a church hewn from the rock in old Cappadocia. Her dark feline eyes were highlighted with ochre, and there were long scratches on her bare forearms. Two fluffy Burmese cats skidded about the floor.

In the centre of the contemporary-elegant room stood a bust of the emperor Hadrian. Dionysiac masks grinned from the walls. Cretan snake-goddesses and steatopygous figurines adorned the mantelpiece; a three-eyed Mexican cat with human paws guarded the fireplace. We were in the house of Liz Greene, doctor of psychology, Jungian analyst and scholar of astrology.

Dr Greene had been hesitant about this visit. Now she sat, quiet and composed, on the edge of the sofa, occasionally leaning forward to light another cigarette.

I asked her: Is the world suffering from Pre-Millennial Tension?

"Yes, certainly. But I call it collective anxiety. There is certainly an enormous amount of it around."

What is the anxiety about?

"I think you can only partly explain it by millennial fantasies – we have very funny ideas about millennia. I think it is deeper than that. There are, it seems to me, very profound changes taking place in people's perception of reality."

World-views, she said, had a finite span. "And the world-view which we have been relying on, the scientific world view, is showing serious signs of wear."

Why should we notice that?

"We still have a collective psyche. We are still plugged into, if you like, a unified life which I think all human beings share. There is something which connects us. It lies behind mass movements and the appearance, for example, of the same mythologies in different parts of the world." Meanwhile, the 2,000-year-old moral fabric of Christianity was "falling to bits".

Liz Greene speaks slowly and softly, like a sleepwalker, in a gentle American accent acquired from a childhood in New Jersey. She went to university in Boston and Los Angeles then, having an English father and feeling culturally European, moved to England 20 years ago.

Was this pressure for change coming from humanity or from some cosmic or divine force? They could not be separated, she replied. Psychology might use neutral language "but I don't see a lot of difference between what Jung called 'the collective unconscious' and what religion calls God."

Scientific knowledge prevented us from going back to the ancient world of myth. We had lost something *en route*. "You see a tremendous reaching out for answers. People are desperate for something that will make the anxiety go away."

So they come to psychotherapists?

"They come to us, to astrologers, to priests, to fundamentalist religion, to political ideology – they come to *isms*."

Collective anxiety and cosmic pressure might just be inventions of the psychiatric industry, I said: if not Pre-Millennial Tension, then Post-Copernican Depression.

"That's an attitude one can take," she said. "I don't think it helps a lot. It's like blaming advertising for something becoming popular."

I had read a feminist theory that collective anxiety is a men's crisis. Was the gender war, if such it be, a symptom?

Greene said she understood the idea but did not subscribe to it. "I think it's a symptom of scapegoating, the most characteristic manifestation of anxiety." She mentioned Germany and the Jews. "It's particularly ugly but very human." Talk of gender wars bred hatred and made the problem worse.

I pointed to the pagan images around her room and asked if the occult played some part in her worldview.

"The objects are here because I like them. The images of ancient gods are symbols, not actualities and are imaged beautifully. That's why I collect them, not because they are altars at which I sacrifice black chickens." She smiled suddenly, her mouth describing a great V. "It has nothing to do with magic or witchcraft. I mean, astrology was never occult."

As everyone ought to know, our equinoctial point is shifting out of Pisces into Aquarius. The Age of Aquarius starts about now, give or take 50 to 70 years depending on which star you pick.

Astrological shifts coincide with changes in religious beliefs, attitudes and values, Greene said. Aquarius, being a collective type of sign, is appropriate for conglomerate activity such as the European Union, multinational companies, even superstores.

Are you saying there is a causal connection?

"No. I don't think that we are being *made* to do anything because it's the Age of Aquarius. There isn't an 'out there' and an 'in here'. They're part of the same thing. So planetary patterns do seem to synchronise with changes that take place in individuals and collectives."

She said there was a Uranus-Pluto conjunction, portending upheaval, in the 1960s. People may have been demonstrating in Paris, I objected, but what upheavals were there in Indonesia or among Eskimos?

"I am not a world historian. You would expect to find *something* happening but it would only happen within the structure that Indonesians or Eskimos built."

Orthodox scientists scream bloody murder about this kind of thing.

"That's their problem, not mine." Now she actually laughed.

Liz Greene can afford to laugh. Probably half the world, including Ronald Reagan, consults horoscopes. Nor are all modern scientists hostile. The French researcher Michel Gauquelin is reported to have found compelling statistical evidence of zodiacal congruity among individuals.

Does it matter how it works?

"Of course I would like to know, but I'm not going to lose sleep over it."

Do you expect the link to be discovered one day?

"Yes, I think it will. But I suspect it's going to require an opening up of the scientific frame of reference for measurement."

Liz Greene sometimes uses astrology to help her identify the probable crisis points in her patients' lives. I asked if she was not worried she would impose her unorthodox beliefs on vulnerable clients.

"Of course I'm concerned with that. I think any intelligent therapist is." That was why responsible analysts underwent analysis.

It may be just another symptom of our anxious transition to Aquarius that psychotherapy has come in for a lot of stick. Therapists have been accused of feeding off their clients, encouraging selfishness, even breaking up families. I asked Liz Greene if she was aware of it.

"*Well, I'm aware of Fay Weldon.*" She laughed again. Weldon is bringing out a novel, *Affliction*, based on the story of her husband's defection to a female analyst. Greene was not sympathetic. "He probably had a great many other reasons for going. I think he heard what he'd been waiting to hear."

Nor did people go to analysts casually, except perhaps in the Woody Allen world, she said. It was too expensive for that, both emotionally and financially.

How far should one person poke inside the personality of another?

"As much as the person needs. But I think the psyche limits itself. I think we all have a kind of inner sanity which tells us when something is not functioning properly and when it's OK."

Is not introspection an unhealthy substitute for what used to be extrovert worship of some deity?

"I don't think it's a substitute and I certainly wouldn't call it unhealthy. But as we can no longer *find God 'out there' it's not* a bad idea to find something like it inside, to discover some kind of inner morality or integrity or ideal which is worth living for."

Beneath the inner distress, she said, was something "more intelligent than the person is on the conscious level".

What we used to call 'the soul'?

"Yes, if you like."

Is psychotherapy a voyage of self-discovery for you as well?

"Certainly. I find people quite miraculous. My sense of – if you like – the 'soul' keeps getting reaffirmed every time I work with someone. You see something mysterious and remarkable coming alive in them."

Liz Greene studied stage and costume design but found the actors more interesting than the plays. She also suffered a crisis at university and problems with relationships. She would not tell me more.

I asked for her star sign. It is Virgo.

So your account of the world is one that suits your temperament?

"Of course it suits me or I wouldn't espouse it."

You don't claim any more for it than that?

"I could be wrong."

About the collective anxiety?

"I could be wrong about all of it. I can only tell you what I have observed. I draw the conclusions that fit my frame of reference.

"Whether it's absolute truth I haven't the foggiest idea. But it is a very rich and meaningful frame of reference, not only to me but has been for 4,000 years to minds far better equipped than mine. I'm in good company."

The old Italian way to pacify Ireland

***Max Wilkinson** considers a 16th century solution to the long-running conflict*

I dreamed a dream of how to end the *killing in Northern* Ireland. No matter. John Major is also sleepwalking: uncertain from one day to the next whether he is talking to the bosses of the terrorists. And Gerry Adams is far away in the land of nod if he thinks that easy victories on American TV can sanctify murder or disguise the growing ascendancy of protestant gunmen.

Let us hope that both are dancing to a tune we cannot hear and that Ireland will one day *awaken to its* harmony. Meanwhile, here is a different dream. It begins with the ghost of Machiavelli, asking briskly: "Why do you English stay in Northern Ireland: for profit, sentiment, for glory or because you fear the contagion of a religious war? Which side do you support? If neither, why do you give them both money?" The spirit of that prince of civil servants began to fade.

"Stay," I cried. "Everyone except our government knows that these are the right questions. But how shall we answer?" He returned into focus, with the sardonic smile which so irritated Lorenzo de' Medici.

"*I have written,*" *he replied*, "That a foreign power cannot succeed by generosity alone; for the people's gratitude is fickle. A liberal rule must be tempered by severity. Hannibal, for example, avoided insurrection because his fine qualities included extreme brutality..."

"No doubt, no doubt" I said, "But we abandoned even the mildest torture decades ago after *The Sunday Times* discovered that prisoners were being made to stand against a wall...Yes, we *have* tried locking up all suspects, including the innocent. But as you said in 1513, that sort of thing foments unrest."

"And you no longer exact tribute from their lands," he mused.

"No," I *replied*. "*English settlers* were once rapacious. There was hunger and oppression. But now the province is part of our kingdom, just like Kent or Wales. The people there get the same benefits as in Great Britain even though they generate less wealth."

"So you must pay.."

"Yes, £3,200m a year, plus another £400m for an army to stop them killing each other. That is about £43 a week per head."

Machiavelli looked puzzled, so I explained: "We give every person in Northern Ireland the equivalent of a 20kg sack of silver each year."

His lip curled: "You are much loved for this?"

"*No. Powerful Americans believe* the Irish are still enslaved and send them money for explosives. The Irish think state benefits are theirs by right (as people do in England). The protestants fear we will take away their privileges, and the catholics grumble because so many cannot find work.

"You pay them even if they do not work?"

"Of course. Especially if they do not work."

"Including the terrorists?"

"Perhaps, if they have no work."

"Few successful rulers have paid rebels who kill their own soldiers," he said.

"But we are a democracy."

"*Nevertheless, your rulers must* force both sides to understand how much is being paid and exact conditions for the money. This cannot be done, you agree, so long as Northern Ireland is treated like your Kent. Perhaps the province could be given a kind of independence. The protestants should then be warned *that the grant will be cut unless* they behave, and the catholics would see that if they were to join the Republic they would be very much poorer."

"We tried this."

"You must be more ruthless. And this time get rid of the terrorists. Kill or imprison all that you prudently can. Bribe the rest. Give very large bribes to the leaders; then they will control their comrades and inform on any who break ranks. This will be much cheaper than paying £400m to your soldiers. Of course these payments must be disguised: perhaps as a rehabilitation fund run by Norwegians."

"But this is totally unacceptable."

"Then keep your dreams," he said and faded into the dawn.